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# China Report

ECONOMIC AFFAIRS



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20 March 1986

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NATIONAL POLICY AND ISSUES

INDIVIDUAL ENTERPRISE ENGAGES 16 MILLION

Beijing RENMIN RIBAO in Chinese 30 Oct 85 p 2

[XINHUA NEWS AGENCY Article: "Individual Industrial and Commercial Enterprises Engage 16 Million; Provide Many Goods and Services for Rural and Urban Dwellers"]

[Text] Individual industrial and commercial enterprises employing 16 million are currently invigorating urban and rural markets, but people still complain about many inconveniences. This truism indicates there is still much room for individual industrial and commercial ventures to grow.

According to calculations of the National Business Administration, at present nearly 11 million licenses have been issued throughout the nation for individual ventures; 8.1 million of these are in rural areas. These individual enterprises have penetrated all levels of society. Though statistics are incomplete, total funds held by these individual enterprises in the first half of this year were valued at nearly 13.28 billion yuan and total business turnover was 38 billion yuan. Those engaged in the food service industry now comprise the largest number of individual ventures, but building maintenance, transport, and handicraft industries are actually increasing faster. Furthermore, an increasing number of new products and technically oriented individual enterprises are appearing on markets day after day.

A responsible comrade in the National Business Administration feels that in many places there are obvious inadequacies in "eating, maintenance, and transport," etc., and that the appropriate departments must become aware of this and actively foster policies and measures to aid and enhance the expansion of individual ventures. Also the few tax evaders, illegal businesses, and unethical entrepreneurs who are behaving in a manner injurious to the nation and consumers must be dealt with severely. At the same time, we must quickly strengthen the appropriate administrative bodies, improve education, perfect policies and regulations, and plug up holes in the system.

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## NATIONAL POLICY AND ISSUES

### PROBLEMS CAUSED BY HIGH GROWTH RATES DELINEATED

Hangzhou ZHEJIANG RIBAO in Chinese 8 Oct 85 p 4

[Article by Fei Heqi [6316 7729 7784]: "Why Economic Growth Rates Cannot Be Too High"]

[Text] Our economy has begun to realize a stable, continuous, and coordinated expansion. For the Sixth 5-Year Plan it has been estimated that the annual rate of growth in GVIAO exceeded 10 percent which is already higher than the required annual growth rate of 7.2 percent that would triple production by the end of the century. During the Seventh 5-Year Plan GVIAO should grow at an annual average rate of about 7 percent, a slight decline from the present overly high rate.

Why cannot the economic growth rate be so high? We have to realize that the economy must expand proportionally. The proportion is determined by our economic, productive and technological level, not by the subjective will of humans. If the rate is too high, growth will be uncoordinated. As Comrade Deng Xiaoping incisively noted: "When the growth rate is excessively high, numerous problems are created. It has a negative influence on both the reforms and the social atmosphere. Let's be a little more cautious." This is how the facts stand:

Some areas and units have unrealistically high rates of growth, blindly pursuing a "doubling of output" and doing a poor job on capital construction projects, ignoring the common good and the long-range plan, and only doing what is profitable or gives easy results in a series of half-baked engineering projects. In the end speed accomplishes nothing.

Many of the areas and units that are speeding along only talk of output and volume, overlooking quality and economic gains. This not only influences an enterprise's technical transformation and product improvement, but it also squeezes out some small-volume, low-profit producers, resulting in some serious inconveniences.

Some of these units and areas with high growth rates are blindly developing processing industries and consequently have placed a tremendous burden on basic industries by competing for resources and energy, and congesting transportation.

Excess growth is also having a negative influence on the development of cities, which is considered crucial in the restructuring of the economy. The restructuring of the economy requires a relaxed environment, but if the economy is hamstrung, the reforms will be difficult to enact. For example, because the growth rate is too high, credit is out of control, inflation has appeared, and spending money is overabundant. If this were to continue for the long run, the economy would become unbearable.

Excessively high growth rates may result in shortages of certain means of production and livelihood. This may cause the "buyers markets" that have appeared to a certain extent following readjustment, to once again revert to "sellers markets," thus creating a sense of complacency among enterprises. Lacking pressure to reform, enterprises would not be compelled to further revise their production structures.

High-speed growth would have a negative influence on the general social atmosphere. Some areas and departments ignore general conditions, raise their targets, cut corners and pressure some small grassroots units into falsifying and exaggerating their reports. Some disguise price hikes, some market shoddy commodities and still others, by hook or by crook, through bribery and various other illegal methods, obtain raw materials and market their goods.

In a word, nothing good can be said for overly high rates of growth. Higher input and lower output are really superior to so-called high growth rates, which is really an empty platitude that ends in disaster. Have past lessons not left a deep enough impression?

We cannot recommend excessively high growth rates; not do we suggest the slower the better. The growth rate must be set at a suitable level. The rate must jibe with the national plan and promote stable, proportional, and coordinated growth as well as long-term continuity. Genuine high growth rates will show substantial all-around results. Excessive rates must be transformed into normal rates, no easy task to be sure, and one requiring skillful, certain handling. Even more important, we all must seek a unity of thought and action in the spirit of the National CPC Congress.

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NATIONAL POLICY AND ISSUES

DIFFICULT ECONOMIC REFORM PROBLEMS ANALYZED

Beijing JINGJIXUE ZHOUBAO in Chinese 22 Sep 85 p 2

[Article by Liu Guoguang [0491 0948 0342], vice chairman of the State Commission for Guiding the Examination of Economic Management Cadres, and Zhao Renwei [6392 0086 0251]: "Several Difficult Problems Confronting Reform of the Present Economic System"]

[Text] I. The Problem or the Environment for Reform or the Economic System

The problem of what kind of environment in which the reform of the economic system should be carried out was discussed in China's economics circles as early as the end of the 1970's and the beginning of the 1980's. The new conditions prevailing since the autumn and winter of 1984 have posed it once again. Its principal causes are as follows.

1. The economic growth rate has been too fast. Based on the GVIO having increased at an average rate of 7.9 percent a year from 1979 to 1983, the 1984 growth rate increased to 14.2 percent, and that of December 1984 increased more than 20 percent over the same period in 1983. The GVIO continued its superhigh rate of growth during the first half of 1985, increasing 23.1 percent over the same period in 1984. 2. Investment and consumption expansion have intensified. Fixed-asset investment in 1984 increased 21.8 percent over 1983, and 1984 bank cash expenditures in such areas as wages and bonuses increased 22.3 percent over 1983, greatly exceeding the 12-percent national income growth rate. 3. The above-mentioned "national income overdistribution" and overheated growth have been related closely to the too rapid growth of credit and currency issue. Total 1984 bank loans increased 28.9 percent over 1983 and the money supply also increased too much, resulting in shortages of, and price rises for, some commodity goods and materials.

The reasons for the occurrence of the above-mentioned phenomena are inseparable from the characteristics of the reform transition period China is undergoing. During this period, such tendencies inherent in the old system as quantitative expansion and investment starvation still have great strength. Moreover, in the process of expanding authority, enterprise leaders have been partial to the short-term interests of staff members and workers, and the state has temporarily had trouble perfecting economic regulation and control measures, resulting in the appearance of a new consumption expansion trend. The expansion of consumption demand has certainly affected the accumulated



portion of national income and, in order to satisfy investment demands and accumulation needs, it has been necessary to resort to overcirculation of credit and currency, thus causing overall supply and demand imbalances and economic livelihood shortages. This has naturally affected the progress of reform of the economic system.

Based on the above-mentioned background, many economists agree with the viewpoint that reform of the economic system must have a good environment of macroeconomic coordination, flexible markets, and abundant national finance, goods and materials, and foreign exchange reserves. Since the new economic system requires the market mechanism to play a larger role, and since an essential prerequisite for the market mechanism to play an active role is the existence of a limited buyer's market in which total supply is somewhat larger than total demand, the critical existence of a seller's market in which demand exceeds supply would have to be aided by and strengthen the method of administrative resource distribution, thus hindering reform. In addition, in order for reform of the economic system to be successful, most people must benefit from it. But economic results brought by reform can appear only after a period of time. Thus, the reform process requires fairly abundant goods and materials and fund reserves, all of which also requires a fairly relaxed economic environment in order to reduce friction in the process of readjusting economic interests. This is especially necessary during the initial reform period and requires conscious slowing of growth rates, control of investment scope, and avoidance of immediate large-scale wage and bonus increases in order to release essential resources to carry out economic reform. China's higher economic development rate over the past few years has admittedly been a good thing, showing that certain readjustment and reform successes have been achieved. But at present, this superhigh development rate is a danger sign of the appearance of an "overheated" economy, and appropriate steps should be taken to control consumption and investment expansion, maintain a rough overall balance in supply and demand and create a good economic environment for reform. Faced with being unable to maintain a high growth rate and carry out reform simultaneously, growth should be subordinated to reform for a specific period of time in order to achieve long-term growth results.

Other economists think that, based on China's actual conditions, it will be difficult in the near future or even by the end of the century to form a limited buyer's market in which supply is somewhat greater than demand. Thus, they think that reform of China's economic system can only be carried out under the strained condition of demand exceeding supply. Some comrades have raised the so-called "reform is necessitated by danger and disaster" argument, thinking that reform cannot await the creation of a good economic environment. They also think that overall demand growth exceeding overall supply growth, with growth of the money supply in the lead are both inherent requirements for China's economy to enter a high growth-rate stage. Furthermore, they think that economic reform itself also requires the economy to have a definite growth tendency. Therefore, they think that the present growth rate is basically normal and healthy and that, although the excessive part must, of course, be regulated appropriately, excessive tightening of the money supply and artificially imposed controlling of investment and consumption demand to make them achieve a balanced condition of being somewhat lower than total

supply, do not conform to China's current economic development and actual reform requirements.

The authors prefer the first viewpoint. We stress that a limited buyer's market is a prerequisite for the market mechanism to play an active role, and that target-pattern balance conditions are different from pattern-transformation balance requirement. The fairly relaxed economic environment required by the reform process certainly does not mean that a limited buyer's market has been successfully and solidly formed both quantitatively and structurally. The formation of this economic environment depends not only on the transformation of economic development strategy principles, but also, to a considerable extent, on the success of system reform. Thus, it is per se a development process of gradually approaching ideal balanced conditions.

## II. The Heart of Transforming the Ownership System: The Stock System

The past few years of reform practices have caused the nature of the enterprise ownership system to become more complicated. State, collective, and private ownership are not as isolated from each other as they were in the past. The mutual infiltration and merging of diversified ownership, gradually forming a new pluralized socialist ownership structure, has become a trend. The transformation of these ownership relations, and particularly the carrying out of such economic alliances as joint fund-raising, shows that an embryonic form of a stock economy has actually already appeared. This has inspired people to think that being able to regard the stock system as an economic form for a major reform of the ownership structure will be a particularly important way to reform state-owned enterprises. Since enterprise autonomy has been expanded and separation of ownership rights and management authority has been stressed, enterprises have gradually changed into relatively independent commodity producers and managers, and their actions as economic subjects have quite naturally changed to pursuing their own partial and short-term interests, while those of the owner of the means of production (the state) have certainly not been represented specifically. Since macroeconomic regulation measures are still not perfect, it has been very difficult to bring the partial and short-term interests sought by enterprises into the orbit of being integrated with the long-range interests of the whole society. This has raised the problem of how to make enterprise actions more rational while strengthening their vitality. Thus, some economists have suggested that, in addition to strengthening external macroeconomic enterprise control, changing the ownership structure within enterprises can also be considered, i.e., a management force combining short-term and long-range enterprise goals can be established through the stock system form.

The argument of those who advocate the idea of establishing a stock system economy in China is that: 1) it will be able to raise idle social capital to alleviate shortages in funds for modernization construction; 2) ownership relations can be concretized, changing the past situation of everyone being the owners of state-owned property but no one being responsible for it; 3) it will establish mutually restrictive relations between enterprise owners, managers, and producers, making enterprise management actions more rational; 4) enterprise staff members and workers buying some shares in their own



enterprises will promote staff member and worker interest and improve enterprise production management activity.

There are differing views among economists who advocate carrying out a stock economy on the problem of whether the state, the enterprise, or individuals should hold the controlling stock in most of the enterprises which they think should carry out a stock system. The first advocates carrying out a nonstate-owned stock form wherein individuals hold the controlling stock. Enterprises would gradually change from "staff members and workers holding the stock" to "all the people freely holding stock" and thus, actually, from the present "state ownership" to "collective stockholder ownership." But it is now impossible, in fact, for the nearly 100 billion yuan of state enterprise assets to be absorbed as stock from individual income. Even if this were possible in the future, it might also engender a stratum living on profits because of stocks being concentrated in the hands of a minority, a situation which would not conform to the nature of China's society. Thus, this view is not ideal.

The second advocates carrying out a nongovernmental stock form wherein the enterprise holds the controlling stock with state participation. Enterprises have a great potential to buy stock and, along with the increase in retained profits particularly, this potential is still growing. But having enterprises hold the controlling stock, i.e., basically transferring existing state enterprise assets to enterprise group assets, may raise the issue of whether wages and property rights of new enterprise staff member and worker should equal those of the original staff members and workers. Their being equal would actually be the same as state ownership, and discrimination could create group division within enterprises. This method often causes enterprises to exclude new staff members and workers and block rational labor-force circulation, and may also cause coalitions of workers to become the owners of the means of production and others to be reduced to being hired workers. Thus, this view is not ideal either.

The third advocates carrying out a state-owned stock economy form. The state would hold the controlling stock and legally preserve most of its means of production ownership rights, while allowing the direct production managers to hold the enterprise means of production in a compensated form. The World Bank Economic Investigation Report suggested that China set up a "socialist partnership system," advocating that we decentralize all state enterprise ownership rights to several different organizations. All of these organizations would represent the state in various forms. They would be concerned mainly with enterprise profits and not specific enterprise management, which would be handed over to enterprise manager responsibility. This would actually still be a completely state-owned stock economy form, with stock merely being decentralized to several different state organizations. But since these state-owned stock system enterprises would still be state enterprises, it would still be hard for them to break away from direct intervention by the state administrative organization, and it would also be hard to eliminate the disadvantages of there being no distinction between government and enterprises, and management of power and influence.

Questioning the validity of the three above-mentioned stock views, some economists have taken a negative attitude toward carrying out a stock system reform of most of China's state-owned enterprises. They think that the current enterprise inclination toward the short-term interests of enterprise staff members and workers has been caused by such factors as incomplete reform measures, imperfect macroeconomic regulation and control mechanisms, the lack of microeconomic restriction mechanisms, and indefinite expectations of reform progress. Under present conditions, contradictions between short-term and long-range enterprise interests, and between those of production managers and property owners, cannot hope to be solved through establishing a state-owned stock economy, but must be solved through taking further comprehensive reform steps.

### III. The Problem of Transforming Dual Pattern Systems

The nature of economic reform is the transformation of one motion pattern into another. There can be two pattern-transformation forms, one being the "package" form, i.e., reforming all major economic system elements simultaneously, and the other the "gradual advance" form, i.e., gradually reforming all major elements successively.

China's gradual reforms, and particularly those since the 3d Plenum of the 12th CPC Central Committee, have consciously or unconsciously gotten onto the dual-system track. The gradual growth and decline of the gradual form and the dual system has been able to avoid major reform shocks. But mixing two different systems may also have caused the occurrence of a series of troublesome economic-motion problems. Those already strongly felt include the following:

1. In the process of the new pattern replacing the old, certain vacuums have often appeared between the two motion systems. For instance, since certain direct old-system control measures were abandoned, indirect new-system control measures have not kept pace correspondingly and promptly; since price-system swings have not changed and the public finance and banking system has not radically changed, it has been hard for indirect control measures to objectively play their proper role; plus, since many economic management cadres have long been accustomed to using the administrative-order method to manage subordinate enterprises, as soon as there are no orders, it seems like they do not know where to begin to manage them. These macroeconomic control vacuums have been a difficult problem encountered in current reforms.

2. After enterprise production was divided into the two parts of ordered and nonordered planning, because it has been easier to ensure ordered goods and supply of materials through ordered production tasks, enterprises have often preferred to strive to carry out ordered production tasks and been unwilling to accept nonordered production targets. But dual planning output proportions being different from input proportions (the ensured supply of goods and materials) has often caused uneven hardship conditions among enterprises, causing them, in production planning, to strive to lower ordered product targets and take on more high-priced high-profit nonordered production tasks and, in ensuring such goods and materials as raw and processed materials, to strive to raise ordered supply targets, in order to reduce losses in

purchasing goods and materials on markets at high prices. This situation has also resulted in great difficulty in seeking to examine quality standards of enterprise management, making it impossible to avoid distortion in plan-fulfillment output and output-value standards, and profit standards.

3. Dual system contradictions and friction have also been expressed as dual prices for the same product. Relatively low planned prices for planned products, and higher agreed or market prices for unplanned products, have caused planned products to change one after another into unplanned ones, conflicting with the guarantee of goods and materials for planned production and construction. Dual-price lags have also provided a breeding ground for speculation, profiteering, and illegal seeking of exorbitant profits, weakening effectiveness of market supervision. High prices and high profits have also temporarily made it hard for the state to use economic measures to control the flow of unplanned products, encouraged blind development of some local and rural township industries and been unfavorable to making the industrial structure more rational. In this dual-price confusion, all areas have formed, one after another, their own goods and materials supply systems in order to ensure the interests of their own areas, which has also intensified regional separation and trade barrier disadvantages and the tendency to "barter." The acquiring of high incomes by certain areas, enterprises, and individuals through price lags has also resulted in a general emulation effect, becoming a cause of consumption-fund expansion.

In order to reduce, as much as possible, the above-mentioned friction and confusion phenomena, it looks as if the following can at least be considered:

1. The gradual reduction of direct control measures and the gradual strengthening of indirect ones should be dovetailed. In other words, microeconomic invigoration must be closely accompanied by corresponding macroeconomic control measures in order to avoid macroeconomic control measures being unsuited to the adoption of new authority-expansion and invigoration measures, and to avoid the expansion of vacuums in the macroeconomic-regulation mechanism. 2. So long as the former system's motion mechanism still cannot be completely abolished, it will be necessary to continue to use administrative orders to maintain the effectiveness and seriousness of the former motion principles, and to strive to prevent certain unplanned spontaneous forces from conflicting with state plans. In other words, the dual systems must be kept relatively separate in order to reduce friction between them. 3. Under these relatively separate conditions, it will also be necessary, as much as possible, to create normal motion conditions and regulation and control measures for the new economic system which is being gradually established. For instance, production activity beyond ordered enterprise plans must, as much as possible, be brought into line with the competitive market system. The use of such economic tools as tax revenue, interest, and prices must also be mastered, in order to control and regulate this economic activity and prevent the two extreme methods of either ordered control or material objects or laissez-faire noncontrol.

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PROVINCIAL AFFAIRS

GUIDING OUTLINE FOR WORK OF HEBEI CPC COMMITTEE

SK251100 Shijiazhuang HEBEI RIBAO in Chinese 15 Feb 86 pp 1,2

["Guiding Outline for the work of the Hebei Provincial CPC Committee for 1986" issued on 29 January 1986]

[Excerpt] Major Tasks in the New Situation

1. The year 1986 is the first year for the overall implementation of the "Seventh 5-Year Plan" on the basis of the great achievements scored during the "Sixth 5-Year Plan" period, and also a key year to the fundamental improvement of finance and the economy, party style, and social conduct to be realized in five years as called for by the 12th National Party Congress. An overall plan for and conscientious efforts in this year's work will have an important significance in consolidating and developing the excellent political and economic situations of the province, fulfilling the tasks as set forth at the 12th National Party Congress, and creating a good beginning for the work in various fields for the "Seventh 5-Year Plan" period.

2. The major tasks for party organizations at all levels for this year are to mobilize and organize the masses of cadres and people in and outside the party to thoroughly implement the guidelines of the National Conference of Party Delegates, to "work together for a splendid future," to uphold the principle of grasping the "two civilizations" simultaneously, to strengthen and improve ideological and political work, to actively promote reform, to comprehensively fulfill or overfulfill the national economic plan, and to basically bring about a fundamental turn for the better in party style and social conduct.

Carry Out Reform Persistently and Promote Stable Economic Development

3. In this year's economic work, we should handle well the relations between reform and construction, and continue to unswervingly place reform in the first place. The general guiding principle for urban and rural reforms is to consolidate, digest, supplement and improve the existing achievements in reforms, and to make good preparations for the next important reform step. We should enhance understanding, strengthen leadership, carry out reform persistently and thoroughly, and guarantee and facilitate a sustained, stable and balanced development in the national economy.

In carrying out urban reform, we should exert great efforts to make the whole range of reforms successful, establish various categories of markets, expand lateral cooperation, organize urban-rural economic networks, and improve the system of cities administering the surrounding counties. We should continue to grasp the key link of invigorating enterprises, in particular large and medium-sized ones, and export-oriented, foreign exchange-earning ones, further implement the policies such as simplifying government administration and delegating power to lower levels, and reducing the burden on enterprises, push the coordinated reforms within enterprises with great efforts, and increase their ability for self-renovation and self-development.

In carrying out rural reform, we should emphasize the establishment and improvement of the production, management and service networks at the village, township and county levels, develop specialized or regional cooperative economy, and further improve the two-tiered management system which combines centralized management with decentralized management. We should continue to readjust the rural production setup, gradually improve the system of contracted purchase, and, in coordination with the urban reform, open up new circulation channels. Districts and counties provided with favorable conditions, in particular those near large cities, may establish new-style commercial enterprises which combine agriculture with either industry or commerce, or both on a trial basis. Reforms of the rural supply and marketing cooperatives and credit cooperatives should be expedited. Experiment on the overall county-level reform focusing on expanding the county-level autonomy should be carried out successfully. Leading organs at higher levels should simplify administration and delegate power to counties in order to provide favorable conditions for the reform.

Focusing on the requirement for stabilizing economic development, we should improve the macroeconomic control over the scope of the investment in fixed assets, the consumption funds, and the credit funds. Readjustment of the investment pattern should also be emphasized. We should learn to use the various kinds of economic levers, strengthen the constitution and implementation of economic laws, and improve the supervision and control over economic activities. We should consolidate the measures already formulated for the price reform, give play to the role of state commercial units as major circulation channels, strengthen supervision and inspection, and maintain basic stability in the overall level of market prices. The wage reform of state organs, organizations and establishment should be continued, and that of enterprises should be carried out in a well-guided and step-by-step manner.

We should continue to promote the reform of the scientific and technological structure and the educational system, and the reform in the public health and physical education fields in order to enable science and technology, education, public health, and physical education to better serve the economic construction. We should focus the reform of the scientific and technological structure on grasping the reform of the leadership system, delegating power to scientific research institutions, developing the association for integrating scientific, research with production, strengthening the enterprises' capacity of technological absorption and development, perfecting the scientific and technological service system, and stimulating technological market. With regard to the reform of the educational system, we should continue to attend



to restructuring the secondary and higher education; pay attention to developing normal education and training in-service teachers; grasp the vocational and technical education; enhance the elementary education; and carry out the nine year compulsory education in a step-by-step manner.

4. We should earnestly handle the relations between speed and results and persistently focus the economic work on the improvement of economic results. To this end, we should pay attention to the following three tasks. First, we should make plans to organize production in line with market demands and strive to produce various marketable products. Second, the enterprises should enthusiastically improve management and operations and promote the technological progress with a focus on upgrading product quality, increasing the varieties of products, and reducing the consumption of energy and raw materials. Third, we should extensively open up financial resources, strictly enforce the financial and economic discipline, perfect the system of the collection and management of tax revenue, and strive to increase taxes, profits, and revenue.

5. The focal points of the province's economic work are as follows: 1) We should conscientiously carry out the principle of "never ignoring grain production and enthusiastically developing a diversified economy" on the premise of continuously taking agriculture as a foundation of the national economy. While ensuring a steady growth of the grain production, we should rely on science and increase input to promote a comprehensive development of all undertakings in the rural area. As town-and township-run enterprises become a major factor enlivening the rural economy, we should enthusiastically support them, and give directions and make good arrangements for management in order to promote a healthy development of these enterprises. 2) While further developing the economy in the plain areas, we should initiatively grasp the comprehensive development of "mountainous and coastal areas and plateaus." We should earnestly attend to the work of supporting the poor in an effort to change the appearances of these areas in a step-by-step manner. 3) We should vigorously develop light and textile industries and increase the production of consumer goods; and simultaneously accelerate the key construction projects and the technological progress in the fields of energy resources, transport, raw materials, and electronics industry in order to increase the reserve strength for vitalizing the economy. All localities should formulate the plans for the economic development for the "Seventh 5-Year Plan" period or this year in the light of their own actual conditions and the provincial economic development strategy.

6. Party committees should strengthen the leadership over the economic work, make good policy decisions on macroeconomic control, and give the reins to the functions of the governments at all levels for economic management. In accordance with the principle of separating government functions from business management, we should gradually change the functions of the government from the economic management to planning, coordination, supervision, service, and trade management. All localities should grasp the pilot work and study the experiences in the reform of administrative organizations. It is necessary to achieve the militia work reform by conscientiously grasping the work of transferring county (city) people's armed forces departments to the local organizational system.

## We Must Certainly Realize a Fundamental Turn For the Better in Party Style And Social Order

7. The provincial CPC Committee called on the party and government organs at the provincial, prefectural, county, and township levels, and more than half of the urban and rural grassroots units across the province to realize a fundamental turn for the better in party style within this year; and simultaneously asked 12 cities, 137 county towns, about 300 small towns, and the villages along the main lines of communication to realize a fundamental turn for the better in social order. The CPC Committees at all levels should pay attention to correcting the tendencies of ignoring the building of spiritual civilization, and fully understand that our economic structure will lose its significance and the economic work will be in danger of degeneration if the party style and social order spread unchecked. In accordance with the requirements of the central authorities for resolutely and persistently correcting the unhealthy practices, we should, with firm confidence, concentrate more energy on grasping the work of realizing a fundamental turn for the better in party style and social order. We should conscientiously formulate the plans and measures for realizing a fundamental turn for the better in party style and social order, and ask each level to carry out these plans and measures in an effort to realize the work as scheduled.

8. Conscientious efforts should be made to carry out urban and rural grassroots party rectification in line with the arrangements of the CPC Central Committee and the provincial CPC Committee. Because the grassroots party rectification involves many people and units, and is complicated and rather difficult, all localities should attach great importance and give meticulous guidance to it in order to ensure the comprehensive fulfillment of the party rectification tasks in high quality. Units which already completed party rectification should conduct an earnest "review," and take remedial measures when necessary in order to consolidate and develop party rectification achievements. We should launch activities to learn from the model party branches of the Cishan Second Street of Wuan County, the Xinxing village of Lixian County, the Tongxia village of Lingshou County, and the Zhongtan village of Zhunhua County, and from model party members on various fronts. We should strengthen the building of grassroots party organizations, and give better play to the role of party branches as fighting bastions and the role of party members as vanguards and exemplars.

9. We should give prominence to improving party style. Units which have already completed, are carrying out, or will soon begin party rectification, should all attend to party rectification with great efforts.

The responsibility system for improving party style should be established and improved. Secretaries of CPC Committees should be responsible for the party style of the members of the committees, CPC Committees should be responsible for the party style of their own units, CPC Committee leading members should be responsible for the party style of the departments they are in charge of, and higher levels should be responsible for the party style of lower levels. Every level should attend to the work of the next lower level, and year-end examinations should be conducted at every level. With regard to the departments and units which have serious problems and fail to improve their

party style within the limited period, their leading persons should be held responsible.

Leading cadres and leading organs should take the lead. Leading cadres at various levels, in particular principal responsible comrades of the province and various prefectures and counties, should resolutely and successfully go through the "five passes," strictly enforce the "ten prohibitions" (note), "rectify themselves before rectifying others," act as examples, be honest, uphold principles, and dare to struggle against unhealthy trends. The Provincial CPC Committee should emphatically attend to the party style of its subordinate units and the Shijiazhuang City, and make them act as examples for the whole province.

We should persistently grasp the party style of all departments in a systematic manner. All trades and professions, in particular functional departments in charge of personnel, finance, and supplies, should examine their party style in a thorough manner, resolutely check the unhealthy trends with certain trade characteristics, and conscientiously correct the deeds of some personnel who abuse power for selfish gains.

We should pay close attention to the major problems related to unhealthy trends of our own localities and units, in particular major and serious cases, and solve them one by one. We should first pay attention to the serious problems in the current workstyles of organs as pointed out in relevant central documents, and conscientiously sort them out and solve them.

We should enforce discipline strictly, and correct perfunctoriness in enforcing discipline. Discipline violations of communist party members, in particular leading cadres at and above the county level, should be investigated and handled conscientiously. Those who violate the criminal law should be arrested and given appropriate sentences, and their cases should be settled without any leniency. We should analyze typical cases and draw lessons from them in order to educate party members and cadres. We should establish and improve systems to plug up the loopholes through which unhealthy trends arise.

We should improve the party's life, conduct earnest criticism and self-criticism, carry out in-depth education on party spirit, party style, and party discipline, and continuously enhance the political and ideological competence of party members. We should commend and publicize the advanced ideologies, experiences, and deeds of the party members and party organizations that have strong party spirit and healthy workstyles, and dare to struggle against evil trends.

Supervision over various quarters should be strengthened. All party members, in particular leading cadres at all levels, should voluntarily accept the criticism and supervision from both lower and higher levels and from in and outside the party. CPC Committees should support discipline inspection departments to perform their duties and to successfully inspect party style and party discipline.

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PROVINCIAL AFFAIRS

SHANGHAI FACES MAJOR CHOICE IN URBAN DEVELOPMENT

HK260603 Beijing ZHONGGUO XINWEN SHE in Chinese 1210 GMT 23 Feb 86

[Round by correspondent Shu Rong [5289 1369]]

[Text] Shanghai, 23 Feb (ZHONGGUO XINWEN SHE)--A major choice lies ahead of Shanghai's urban development regarding how to answer the question of "what should Shanghai be built into?" This issue has a bearing on Shanghai's political, economic, social, and cultural development for a period in the future.

At the beginning of last year, the State Council approved the "Report Outline of the Strategy for Shanghai Municipality's Economic Development." Recently, the state has again approved Shanghai's development plan for the Seventh 5-Year Plan period. The outline and plan clearly point out: Shanghai holds a position facing the interior of the country on the one hand and other countries on the other. Shanghai should change its previous unitary function as an industrial base and proceed to turn itself into China's largest economic, scientific and technological, cultural, financial, and trading center. Shanghai's urban development strategy should also meet the requirements of being a multifunctional city as mentioned above. However, for various reasons, there are serious defects in Shanghai's urban development, such as an overcrowded urban population, traffic jams, and serious environmental pollution. They have caused the metropolis, which was once very famous, to look old and, consequently, Shanghai is far from being able to meet the needs of its future development.

At present nine academic organizations, with the Urban Economics Society of Shanghai Municipality as the core, have initiated and held a "forum on the strategy for Shanghai's urban development." More than 200 specialists and theoretical workers engaged in urban planning, construction, and management made a series of suggestions and proposals for solving Shanghai's defects and on how to build Shanghai.

It is necessary to eliminate the overcrowding of the urban population and to develop a new urban district. The density of Shanghai's urban population and buildings and the overcrowding of its urban traffic are seldom seen in other big cities in the world. If no bold and

decisive measures are taken to remove Shanghai's existing defects, the whole municipality will be suffocated or paralyzed. Therefore, the specialists suggested that a new urban district which is both related to and relatively independent of the old urban districts be established on the periphery of the old urban districts, so that Shanghai will have more room for its further development. Hence, the demand for developing the Pudong district is becoming relatively urgent.

It is necessary to augment the construction of infrastructural facilities in the material and cultural sectors, to bring Shanghai's strong points in human resources into full play, and to vigorously develop tertiary industry so as to attract more overseas tourists to Shanghai.

It is imperative to carry out the construction of Shanghai port. Several years ago, Shanghai tentatively planned to build new ports in Luojing, Jinshan, and Waigaoqiao. Recently it has proposed that a port be built at Jinagwan Airport. Related specialists pointed out: The construction of Shanghai port should be carried out in line with the general plan for Shanghai Municipality and both foreign capital and domestic funds should be used in comprehensively developing the new port areas. At the same time, the question of whether or not Shanghai could be opened as a free port was also put on the agenda.

There are indications that while speeding up the study and exploration of the strategy for its urban development, Shanghai loses no time in quickening the pace of its urban construction. The construction of the second cross-river tunnel linking the two sides of the Huangpu Jiang is being carried out smoothly. The feasibility study for a third tunnel is under way. The plan for the overall prevention and control of the pollution of the Huangpu Jiang has passed the related examination, under which plan the diversion works project in the upper reaches of the river is under construction. The project of assembling technical reserves for the underground railway and the Huangpu Jiang bridge is being stepped up.

It can be anticipated that once the strategy for Shanghai's urban development, which is closely linked with the strategy for Shanghai's economic development, is defined, Shanghai, China's largest city, will radiate the vigor of its youth anew.

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PROVINCIAL AFFAIRS

REDUCTION OF ADMINISTRATIVE COSTS DEMANDED

Xi'an SHAANXI RIBAO in Chinese 25 Jul 85 p 1

[Report by Tian Chuan [3944 1557]]

[Text] The leaders of the State Council emphasized recently that we must reduce this year's administrative costs according to the state's demands. However, in light of the situation of implementation throughout the country in the first 6 months, with the exception of Shaanxi Province, which registered a 1.23-percent reduction compared with the same period last year, other provinces, autonomous regions and municipalities all registered increases in varying degrees. The overall margin of growth reached 23.9 percent.

A concerned official of the Ministry of Finance recently presented the situation to reporters. He said that the administrative costs for the first half of this year in 16 regions were above the national average margin of growth. Of these regions, Tibet, Qinghai, and Liaoning registered an increase of more than 40 percent over the same period last year, while Shanghai, Gansu, Beijing, Xinjiang, Guangxi, and Guangdong registered an increase of more than 30 percent.

Reportedly, to reduce administrative costs, the Ministry of Finance held a special conference for planning in May. After that, many local governments adopted effective measures to turn the tide of the wide-margin growth in administrative costs. The administrative costs of 13 regions in June were reduced compared with May. However, expenses still increased in 16 regions, of which Heilongjiang, Gansu, Liaoning provinces registered growth of more than 20 percent.

The Ministry of Finance official indicated that the increases of administrative costs in the first half of this year in each region resulted mainly from the loss of control over the size of the party and government personnel, the excessive increase of personnel since last year, as well as the excessively large group purchasing power.

He said that the State council leaders had reaffirmed recently the necessity to fulfill the task of reducing and not exceeding this year's administrative costs. He hoped that the leaders of the various provinces, autonomous regions and municipalities would adopt further effective measures to ensure fulfillment of the task of reducing this year's administrative costs.

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CSO: 4006/958

PROVINCIAL AFFAIRS

SHAANXI URGES MEASURES TO INCREASE INCOME, CONTROL SPENDING

Xi'an SHAANXI RIBAO in Chinese 27 Jul 85 p 1

[Text] On 24 July, the provincial Party committee and the provincial people's government issued an urgent circular asking party and government leaders at all levels throughout the province to increase financial income actively and to strictly control financial spending.

The circular pointed out that in the first half of this year the financial income of the entire province constituted 56.36 percent of the fiscal budget, up 10.46 percent compared with the same period of last year. However, current administrative costs and social group purchasing power are still not effectively controlled, financial spending has increased too sharply, and extrabudgetary expenses are excessive. The circular asked that the various places:

1. Make great efforts to increase financial income. While ensuring the fulfillment of the financial income of the whole year, we should strive to overfulfill our task by 100 million yuan. The party and government leaders at all levels should vigorously support the taxation departments to levy various taxes according to policy regulation. Failure to report taxes, fraud, understatement of taxes and evasion of taxes as well as withholding and misappropriation of financial income are strictly prohibited. Overstepping one's own limit of power to reduce and exempt taxes is not permitted. We must strengthen the taxation administration of the scattered tax sources, such as the urban and rural collective enterprises, fair trade, individual industrial and commercial households, specialized households and so on.

2. Resolutely economize and reduce the administrative costs and administrative spending of enterprise and professional units, halt the establishment of new organizations, and prohibit the addition of personnel. We must cut the current surplus personnel of the administrative professional units within a definite period of time. From now on, we shall not examine and approve the purchase of the 17 special controlled commodities. As for the other uncontrolled commodities, we must also fully utilize the existing stock in order to reduce expenses as much as possible. This year's expenses in purchasing equipment at the provincial and prefectural levels must be cut by 50 percent compared with last year's actual expenses. Expenses at the county level must be cut by 30 percent. We must resolutely reduce the conference expenses. The expenses of

unapproved conferences, without exception, will not be reimbursed. The unreasonable conference expenses submitted by the various levels and sectors will not be reimbursed either. We shall not permit the use of state funds by any conference in going to operas and movies, taking pictures, traveling and feasting. In the event of a violation, the approving authority shall be responsible for the expenses. Visits and studies abroad which must be arranged must be submitted to the provincial party committee or the provincial people's government separately for approval, without which expenses will not be reimbursed. We must strictly carry out the method of budget contracting for enterprise and professional units. We must not use all kinds of pretexts to apply for funds outside the contract from the financial organs.

3. We must enforce financial and economic disciplines, and resolve to check various unhealthy tendencies. The auditing, financial, taxation, and financial affairs departments at all levels should resolutely struggle against behavior which violates financial and economic discipline. The authorities at all levels should sternly deal with serious violations of financial and economic discipline.

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CSO: 4006/958

PROVINCIAL AFFAIRS

HUBEI ECONOMIC, TECHNOLOGICAL COOPERATION EXPANDED

Beijing RENMIN RIBAO in Chinese 22 Aug 85 p 1

[Report by Gong Dafa [7895 6671 4099]]

[Text] Hubei Province has shattered the boundaries drawn by regions and trades to extensively institute economic and technological cooperation inside and outside the province. It has developed horizontal economic relations, promoted reasonable exchanges of funds, materials, technologies and skilled personnel, and enhanced economic development.

In recent years Hubei has paid attention to economic and technological cooperation. The exchanged materials in 1984 totaled 850 million yuan, the third highest in the country. New development has again been noted in the first half of this year. The simple exchange of materials in the past has gradually developed to a multilevel and multichannel "four-in-one" economic and technological cooperation involving economic alliance, technological cooperation, material support, and exchange of skilled personnel. One-time temporary forms of cooperation have developed to a long-term and stable cooperation. Large numbers of economic integrated bodies involving industrial and trade integration, technological and trade integration, and urban and rural integration have appeared. Since Wuhan City has opened its city gates, more than 250 various economic integrated bodies have been established, involving nearly 2,000 units. Links have been established not only with over 100 cities and counties in over 20 provinces, municipalities and autonomous regions throughout the country, but with more than 20 industrial and commercial enterprises in Hong Kong and Macao as well.

The development and establishment of technological markets and the rapid growth of the consulting industry have broadened the range of technological cooperation and enhanced the results of technological cooperation. Many universities, schools, research institutes and academic groups have actively participated in technological cooperation, sold their technology, transferred their results, or taken part in consulting. They are welcomed by the factories and enterprises. In the first half of this year, township and town enterprises have brought in over 750 technological projects and 114 skilled personnel. These will increase over 200 million yuan of output value for these enterprises this year. Huangshi City supports others with its local advanced technology in the construction materials and metallurgical industries, and



supplements its own weak areas and develops itself through importing. They have signed 158 cooperative projects in 17 provinces and municipalities. Of these, 45 are technological exports and 54 are technological imports.

Many localities in the province have made use of resources to draw in funds and technology. They have accelerated the development and utilization of resources in order to rapidly transform strength in resources into economic strength. Last year Yangxin County brought in its first batch of funds totaling 3.59 million yuan to build such industrial and mining enterprises as an aluminium factory, a smeltery, and a flax textile mill. Some of these enterprises went into operation in the same year, and gained 0.6 million yuan of taxes and profits. This year, more than 70 million yuan was brought in, which greatly accelerated the development of resources.

The development of economic and technological cooperation and of horizontal economic relations have removed the obstacles between cities and countryside, and further strengthened the radiation capability and attractability of cities. At present, the horizontal economic network with the large and medium-sized cities as the center has been established step by step. Without changing the subordinate relationship of the neighboring Jingzhou Prefecture to Shashi City, the prefecture and the city are cooperating in the institution of an organized and full economic and technological alliance under leadership. "I am in you and you are in me." An economic zone with relatively solid economic and technological strength has been formed.

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PROVINCIAL AFFAIRS

GUANGDONG PEOPLE'S CONGRESS MEETING OPENS 19 FEB

HK210931 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT  
19 Feb 86

[Text] The 18th meeting of the 4th provincial People's Congress Standing Committee opened in Guangzhou this morning. Luo Tian, chairman of the provincial People's Congress Standing Committee, presided over the meeting.

The meeting first listened to Governor Ye Xuanping's report on our provincial government work in 1985 and on the arrangements for work in 1986. The committee members seriously conducted discussion. They all fully affirmed the provincial government work last year and put forward many very good views and suggestions on this year's work.

This meeting will last 4 days and examine and discuss the draft regulations on the management of contacts between the personnel of the Shenzhen Special Economic Zone and the interior and the draft regulations on water and soil conservation in Guangdong Province. The meeting will hear, examine, and discuss the provincial government report on handling motion No 18 handed over by the third session of the sixth provincial People's Congress, on handling motion No 22 on strengthening the legal system and resolutely correcting the malpractices of indiscriminately imposing fines and collecting charges, and on handling the motion on speeding up the development of the power industry in our province and guaranteeing the needs of the development of the national economy. The meeting will make corresponding decisions and listen, examine, and discuss the report made by the provincial higher people's court and provincial people's procuratorate on the situation in cracking down crimes in our province. The meeting will also adopt appointments and removals.

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## ECONOMIC PLANNING

### LIAOWANG REPORTS MINISTRIES' PLANS FOR REFORMS

HK140755 Beijing XINHUA Hong Kong Service in Mandarin 0342 GMT 12 Jan 86

["Some State Council Ministers Talk About Promoting Reforms This Year"--XINHUA headline]

[Text] Beijing, 12 January (XINHUA)--LIAOWANG weekly published tomorrow will carry a report about some new information issued by some ministries and commissions of the State Council. They hold that urban and rural reforms last year in the whole country made great advances and reforms will bring about better results this year.

The magazine says that the plans of these ministries and commissions show that the situation in the first year of the Seventh 5-Year Plan (1986-1990) will be good.

LIAOWANG weekly publishes the plans of seven ministries and commissions.

The special economic zone affairs office of the State Council--Director He Chunlin said: Through the explorations and practice of special economic zones, coastal open cities, and coastal economic open areas, China will gradually expand the implementation of the open policy from coastal areas to interior areas so as to more effectively and closely link economic development in coastal areas with economic development in interior areas, to utilize domestic and foreign resources to a higher level, and to expand both domestic and foreign markets.

He said: The special economic zones will give priority to the development of outwardly oriented industrial projects which use advanced technologies, yield good economic results, and have a high capacity for earning foreign exchange. The coastal open cities will continue to import advanced technologies and strengthen the technological transformation of the existing enterprises. At the same time, they will make efforts to ensure the successful operation of the Chinese-foreign joint ventures and cooperation projects that have been approved and will build economic and technical development zones in a planned and orderly way. The coastal economic open areas will make better use of their local resources and bring their respective advantages into full play and will further formulate and implement their development plans to pursue the principle of integrating industrial and agricultural production with foreign trade so as to put more competitive commodities into international markets.

The Ministry of Foreign Economic Relations and Trade--Some new policies and measures will be adopted this year. For example, the ministry will accomplish the plan of building some export production systems to increase the country's export and foreign exchange earning capacity. Export production bases for major agricultural products will be established. Large cities with a good industrial foundation, especially coastal cities and mining areas, will select some factories and mines to specialize in export-oriented production. These factories and mines should concentrate on the production of brand-name products of high quality which are readily marketable and can be supplied on time. In addition, management over foreign trade transport will be strengthened; management over exports to Hong Kong and Macao will be more strict; and greater efforts will be made to check smuggling and to exercise control over foreign exchange.

The Ministry of Agriculture, Animal Husbandry, and Fishery--the period of the Seventh 5-Year Plan will be the crucial period for the rural economy to lay a solid foundation for bringing the peasants' living standards to comparatively well-off level and for maintaining the momentum of development in the last decade of this century through in-depth reforms. So the rural economy will ensure all-round, coordinated, sustained, and stable development. In order to achieve this purpose, the rural industrial structure will be further readjusted in 1986 on the basis of ensuring steady growth in grain production so as to simultaneously develop all of the primary, secondary, and tertiary industries in rural areas with priorities in the fields of agriculture, animal husbandry, forestry, sideline production, and fishery. The production of cash crops should be developed in a planned way in light of market demand, and attention should be paid to product quality. Service work should attach importance to the development of animal husbandry and aquaculture. Rural industrial enterprises should make use of their local resources, do business according to their own capacity, and endeavor to develop healthily. Existing enterprises should be further consolidated so as to set aright their business orientation and improve their quality.

The national tourism administration--Director Han Kehua said: During the period of the Seventh 5-Year Plan, the national tourism administration will mainly promote work in the following four points: first, concentrate on human, material, and financial resources to build systematic backup service projects in major tourist cities and raise their accommodation capacity; second, train more qualified personnel for the tourist industry; third, give wider publicity to China's tourist industry; and fourth, continuously improve the service quality of various travel agencies and hotels and increase their international competitiveness.

The Ministry of Railways--In the period of the Seventh 5-Year Plan, main efforts will be made to conduct technological transformation of the existing railway trunk lines so as to increase their track capacity. Some new railway trunk lines will also be built. In the period of the Seventh 5-Year Plan, the priorities of railway construction will be in the following four major passages: the passage for transporting Shanxi's coal to other areas; the trunk passage linking northern and southern China; the passages for coastal harbors; and the passages linking various major regions. Some railway lines of these four major passages will be electrified or will be turned into

double-track lines. At the same time, new railway lines between Houma and Yueshan, between Shangqiu and Fuyang, between Baoji and Zhongwei, between Xian and Ankang, between Nanning and Kunming, and between Guangzhou and Zhangzhou will be built. By the end of the Seventh 5-Year Plan period, the mileage of all railway lines in the country will reach 58,000 km, and the comprehensive transport capacity of all railways will be 1.6 billion passengers and 1.7 billion tons of cargo.

The Ministry of Water Resources and Electric Power--Minister Qian Zhengying told this reporter that the ministry will accomplish 10 major projects in 1986, including increasing generating capacity by another 5 million kilowatts on the basis of the increase in generating capacity of 5 million kilowatts in 1985; the beginning of operation of the first generator set in the Longyangxia Hydropower Station on the Huang He; the putting of three to four generator sets into operation in the Gezhouba project; the completion of the project of diverting water from the Biliu He to Dalian City; the beginning of the project of diverting water from the Huang He to Jinan City; the examination and approval of the design for the project of diverting water from the south to the north; the beginning of the building of the Yangzhuoyong reservoir in Xizang, which will be the highest reservoir in our country above sea level; and the development of small power stations, by raising local funds, with a total generating capacity of 10 million kilowatts.

The Ministry of Finance--Minister Wang Bingqian said: in 1986, China's financial expenditure will first guarantee key construction projects and satisfy the needs of economic reforms and intellectual investment. Agricultural expenditure will appropriately increase. In addition, China will continue to perfect its financial and taxation systems. Regulatory taxes imposed on large and medium-sized backbone enterprises will be gradually reduced, as they are shouldering heavy tasks for producing export goods and conducting technological transformation. The depreciation rate for some enterprises will be raised step by step. The industrial and commercial taxation system will be further improved so as to enable taxation to function as a major economic lever. Taxation legislation concerning foreign economic activities and foreign investment in China will also be perfected. Moreover, funds for special use and special financial subsidies will be granted to support some enterprises' necessary technological transformation projects and to support the import of some advanced technologies.

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CSO: 4006/772

ECONOMIC PLANNING

QINHUANGDAO'S ECONOMIC, TECHNOLOGICAL DEVELOPMENT ENCOURAGED

Beijing RENMIN RIBAO in Chinese 22 Aug 85 p 2

[Report by Liu Xiaolu [0491 2556 7120]]

[Text] From 15 to 19 August, the Hebei Provincial People's Government convened an on-the-spot office meeting in Qinhuangdao City to study the city's economic and technological development. Governor Zhang Shuguang [1728 2562 0342] presided. Major officials from 25 committees, offices, departments and bureaus under the province as well as from Qinghuangdao, Shijiazhuang, Tangshan, Handan, Xingtai, Zhangjiakou and Baoding cities discussed, examined and approved the long-term plans and short-term arrangements for developing Qinhuangdao. They made decisions on the spot, negotiated solutions to practical issues, and designated and implemented a number of development projects.

During the meeting, the leading comrades of the party Central Committee and State Council listened to the work reports from Hebei Province and Qinhuangdao City and made important guiding suggestions on the development of Qinhuangdao.

In April 1984, the state designated Qinhuangdao as one of the fourteen coastal cities to be opened to the outside world. Since then, Hebei Province and Qinhuangdao City have conscientiously implemented the policy of the party Central Committee and State Council on revitalizing the economy at home and opening to the outside world, clarified the guiding ideology for making Qinhuangdao an open city, established an outline for economic and technological development and an overall plan for the city, preliminarily formulated preferential policies for attracting foreigners and establishing connection at home, vigorously emphasized the construction of such infrastructures as water, electricity and communications, focused on intellectual development and the training of skilled personnel, actively created a good environment for investment, and concluded talks on a number of projects to attract foreigners and carry out cooperation at home.

Nevertheless, because Qinhuangdao has gone from a city under prefectural jurisdiction to one under provincial jurisdiction, has gone from leading four districts to leading four counties and three districts, and has gone from a population of 300,000 to 2.3 million, many links in specific work have failed

to adapt readily to such a "leap." At the same time, in terms of Hebei Province as a whole, some people have still failed to fully understand the important strategic significance of developing Qinhuangdao City in the revitalization of the economy of the entire Hebei Province, and have failed to institute smoothly all the relationships in work. Through sufficient discussions, the participants at the meeting have reached a unanimous understanding of this issue of speeding up the economic and technological development of Qinhuangdao in accordance with the principles of "promotion of one's strong points and avoidance of one's weaknesses, voluntary participation and mutual benefit, exchange of equal values, joint development, coordinated development, widespread institution of vertical and horizontal links, and shattering of administrative separation of central and local authorities."

On the basis of a unified understanding, the participants at the meeting studied, discussed and affirmed Qinhuangdao City's three superiorities, namely, harbor, tourism and the glass industry, and put forth practical and feasible measures for bringing into play those three superiorities in developing Qinhuangdao City. The participants at the meeting proposed that we should bring into full play Qinhuangdao Harbor's superiority of having the "three bei's [Hubei, Hebei and Beijing]" as the backings and facing the Pacific Ocean, gradually transform this harbor which is involved solely in energy transit to a multifunctional and comprehensive import-export harbor, and build this into a corn export base, glass, sand and stone, liquid chemical industrial products export base and a packing and transit base for the export products of eastern Hebei, and build Qinhuangdao into an import-export port for Hebei Province itself. In light of the heartening situation of the rapid development of tourism in Qinhuangdao City in recent years, the participants at the meeting studied the problem of how to solve the meals, lodgings, transportation and recreation of the daily-increasing tourists. Since the beginning of this year, in accordance with the guiding ideology put forth by the provincial leaders that "every household should run hotels and restaurants, and everybody should be a receptionist," the state, collective and individual of Qinhuangdao have made concerted effort and eased the pressure of the rapid increase of tourists to a certain extent. The participants at the meeting decided that, in the future, while continuously developing the present tourist spots and perfecting facilities, we should vigorously develop new tourist spots. In particular, they proposed the development of more than 200 li of "gold coast" new seaside resorts from the Dapu He estuary in Changli County, passing through Beidaihe to the Luan He estuary in Luanxian County. Here, the beaches sport soft sand and gentle tides, the tree belt meanders, the sand dunes rise and fall and the water surface stays calm. The potential for development is tremendous. The participants at the meeting decided that Qinhuangdao City must make great efforts to improve the quality and increase the variety in its glass industry, vigorously develop horizontal economic alliances, and improve its ability to attract foreign exchange.

In the 4-day meeting, the responsible persons of the various committees, offices, departments, bureaus and banks under the province and from fraternal cities conducted analysis and demonstration, and carried out counterpart discussions. In accordance with the demand for small investment and fast results, they put forth 136 projects for developing Qinhuangdao City,



carried out conscientious selection, and preliminarily designated 47 prospective projects for development, from which 20 key projects were selected. This on-the-spot office meeting has produced good results. The participants generally agreed that this type of office meeting with little armchair discussion and much actual work to "cut the Gordian knot" should be promoted.

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CSO: 4006/958

## AGGREGATE ECONOMIC DATA

### SHANGHAI ECONOMIC STATISTICS FOR 1985 RELEASED

OW260901 Shanghai WEN HUI BAO in Chinese 16 Feb 86 p 1

[Excerpts] Shanghai's social output value in 1985 was 102.6 billion yuan, its national income was 39.9 billion yuan, and its total industrial and agricultural output value 88.28 billion yuan, topping 1984 by 11.1 percent, 11.9 percent, and 11.6 percent respectively. They all exceeded the targets laid down in Shanghai's Sixth 5-Year Plan. Shanghai's total national output value, listed for the first time as primary indicator in evaluating Shanghai's economic performance, was 45.8 billion yuan for 1985, topping 1984 by 12 percent. The output value of the tertiary industry increased 13.5 percent. This information was given by Li Maohuan, director of the Municipal Statistical Bureau, at a news briefing held by the Municipal Government's Information Department yesterday.

Li Maohuan described the 10 aspects of Shanghai Municipality's economic and social development in 1985 as follows:

1. Industry: The annual total industrial output value was 82.67 billion yuan, up 11.1 percent from 1984. This figure included the total industrial output value of village-run enterprises, which amounted to 85.97 billion yuan, 12.2 percent more than in 1984.
2. Agriculture: The annual total social output value of rural areas was 13.59 billion yuan, up 32.9 percent from 1984. Output value of rural industry, building industry, commerce, and transportation grew by fairly large margins compared with 1984. Due to natural disasters and the readjustment of the farming structure, output value of crop cultivation dropped 19.4 percent, while that of forestry, animal husbandry, and sideline occupations and fishery increased in varying degrees. The latter accounted for 44.2 percent of the total agricultural output value, up from 36.4 percent in 1984. Grain and cotton acreage dropped to 439,000 and 71,000 hectares from 486,000 and 94,000 hectares respectively, while the acreage of rapeseed increased from 51,000 hectares to 73,000 hectares. Grain and cotton output was respectively 15.3 and 50.5 percent lower than in 1984, while output of rapeseed increased 21.4 percent.
3. Investment in fixed assets and the building industry: In 1985 investment in fixed assets of state-run units was 9.12 billion yuan, including 1.9 billion yuan for power, posts and telecommunications, and public utilities projects,

an increase of 94 percent over 1984. Annual investment in the 12 key state projects was 2.5 billion yuan, accounting for 44 percent of the investment in capital construction. Five of the 39 large and medium-sized capital construction projects under construction were completed and put into operation in that year.

4. Transport, posts and telecommunications: In 1985 transport vehicles in all categories overfulfilled passenger and freight transport plans. Total freight transported was 242 million metric tons, topping 1984 by 4.8 percent. Some 34.35 million passengers were transported, topping 1984 by 9 percent. The total volume of paid posts and telecommunications services was 155 million yuan, topping 1984 by 20.2 percent. There were 148,000 telephone subscribers, 22,000 more than in 1984.

5. Domestic commerce: The total volume of annual retail sales was 17.36 billion yuan, topping 1984 by 31.2 percent. Total retail sales volume of consumer goods topped 1984 by 32.8 percent, while that of foods, clothing, and articles for daily use increased respectively 23.6, 24.6, and 48.8 percent.

6. Foreign economic relations and tourism: The total value of export commodities order was 10.48 billion yuan, topping 1984 by 5.5 percent. Actual exports totaled \$3.36 billion, down 6.3 percent from 1984. Shanghai further increased the use of foreign capital. During the year, Shanghai approved and signed 121 contracts on use of foreign capital, totaling \$770 million, respectively 2.5 and 2.2 times the 1984 figures. Some 223 technological import contracts were signed in 1985; the volume of transactions was \$240 million yuan. Last year Shanghai signed 22 agreements on contracting for projects and labor services abroad. These contracts amounted to \$13 million. Last year Shanghai received 602,000 tourists from 150 countries and regions, a 16.9 percent increase. The annual revenue from tourism was 420 million yuan, a 44.2 percent increase.

7. Urban construction: Construction of urban infrastructural facilities was accelerated somewhat. Some 900 million yuan was used for public utilities and other urban facilities, 2.2 times more than in 1984. The municipality built, rebuilt, and widened 490,000 square meters of roads, and constructed two interchanges for automobiles, and six pedestrian overpasses.

8. Science and technology, education, and culture: In 1985 Shanghai scored 1,957 major achievements in science and technology, topping 1984 by 23.5 percent. Education advanced steadily in the course of reform. Some 4,347 postgraduate students were enrolled in 1985, topping 1984 by 1,928. Cultural, press, publishing, and radio and TV departments also made fresh contributions to the development of socialist spiritual civilization.

9. Public health and sports: Hospitals in Shanghai had 54,000 sickbeds, a 4.3 percent increase. Sports developed vigorously.

10. People's livelihood: Shanghai's population in 1985 was 12.17 million, an increase of 120,000 over 1984. The natural population growth rate was 5.8 per thousand. Last year 161,000 people were given jobs. The total amount of workers' wages in Shanghai reached 6.44 billion yuan, topping 1985 by 19.8



percent. The workers' average annual wage was 1,329 yuan. The workers' actual income was 11.2 percent more than in 1984 after adding nonstaple food subsidies and making deductions due to the rising price index. As of the end of last year, savings deposits of urban and rural residents reached 7.01 billion yuan, a 24.9 percent increase. The state, enterprises, and establishments spent 1.29 billion yuan on housing construction, 57 percent more than in 1984. Some 4.73 million square meters of housing was completed, an increase of 8 percent.

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CSO: 4006/772

AGGREGATE ECONOMIC DATA

SHAANXI'S KEY MARKET QUOTATIONS

Xi'an SHAANXI RIBAO in Chinese 25 Jul 85 p 2

[Text]

Shaanxi's Key Fair Market Quotations  
(Market Administration Department of the Provincial  
Industrial and Commercial Administrative Bureau)

Price unit: yuan

Price quotation date: 20 July 1985

| Commodity           | Unit | Specifications | 1    | 2    | 3    | 4    | 5    |
|---------------------|------|----------------|------|------|------|------|------|
| Rice                | jin  | Middling       | 0.38 | 0.28 | 0.30 | 0.24 | 0.30 |
| Wheat               | jin  | Middling       |      | 0.20 | 0.21 | 0.19 | 0.25 |
| Corn                | jin  | Middling       |      | 0.15 | 0.11 | 0.18 | 0.10 |
| Soybean             | jin  | Middling       | 0.40 | 0.37 | 0.28 | 0.39 | 0.38 |
| Raw peanut kernel   | jin  | Middling       | 1.10 | 1.10 | 1.00 | 1.16 | 1.10 |
| Rapeseed oil        | jin  | Middling       |      |      | 1.45 | 1.50 | 1.50 |
| Pork                | jin  | Middling       |      |      |      |      |      |
|                     |      | with bone      | 1.60 | 1.25 | 1.20 | 1.20 | 1.10 |
| Mutton              | jin  | Middling       |      |      |      |      |      |
|                     |      | without bone   |      | 1.80 | 1.40 |      |      |
| Egg                 | jin  | Fresh egg      | 1.15 | 0.98 | 1.00 | 1.30 | 0.90 |
| Live hen            | jin  | Middling       |      | 1.30 | 1.10 | 1.30 | 0.85 |
| Carp                | jin  | Middling fresh |      | 2.50 | 2.00 | 2.80 |      |
| Apple               | jin  | Middling       | 0.45 | 0.50 | 0.30 | 0.35 | 0.30 |
| Watermelon          | jin  | Middling       | 0.20 | 0.25 | 0.17 | 0.20 | 0.15 |
| Green pepper        | jin  | Fresh          |      | 0.30 | 0.20 | 0.15 | 0.20 |
| Potato              | jin  | Middling       | 0.10 | 0.12 | 0.08 | 0.06 | 0.07 |
| Green Chinese onion | jin  | Middling       | 0.18 | 0.06 | 0.05 | 0.10 | 0.10 |
| Tomato              | jin  | Middling       |      | 0.13 | 0.12 | 0.06 | 0.12 |

| Commodity           | Unit | Specifications | 6    | 7    | 8    | 9    | 10   |
|---------------------|------|----------------|------|------|------|------|------|
| Rice                | jin  | Middling       |      |      | 0.21 | 0.29 | 0.30 |
| Wheat               | jin  | Middling       | 0.26 |      | 0.20 | 0.23 | 0.21 |
| Corn                | jin  | Middling       | 0.14 | 0.15 | 0.17 | 0.14 | 0.11 |
| Soybean             | jin  | Middling       | 0.30 | 0.30 | 0.38 | 0.37 | 0.36 |
| Raw peanut kernel   | jin  | Middling       |      |      | 1.05 |      |      |
| Rapeseed oil        | jin  | Middling       | 1.50 | 1.55 | 1.50 | 1.55 | 1.60 |
| Pork                | jin  | Middling       |      |      |      |      |      |
|                     |      | with bone      | 1.20 | 1.30 | 1.10 | 1.20 | 1.10 |
| Mutton              | jin  | Middling       |      |      |      |      |      |
|                     |      | without bone   | 1.60 | 1.15 |      |      |      |
| Egg                 | jin  | Fresh egg      | 0.96 | 0.95 | 1.20 | 0.90 | 0.88 |
| Live hen            | jin  | Middling       |      | 0.90 | 1.30 | 1.25 |      |
| Carp                | jin  | Middling fresh |      |      | 2.80 |      |      |
| Apple               | jin  | Middling       |      | 0.30 | 0.40 | 0.20 | 0.20 |
| Watermelon          | jin  | Middling       | 0.25 | 0.13 | 0.10 | 0.18 | 0.25 |
| Green pepper        | jin  | Fresh          | 0.20 | 0.18 | 0.08 | 0.24 | 0.30 |
| Potato              | jin  | Middling       |      | 0.10 | 0.05 | 0.10 | 0.05 |
| Green Chinese onion | jin  | Middling       |      | 0.08 | 0.07 | 0.12 | 0.05 |
| Tomato              | jin  | Middling       | 0.15 | 0.08 | 0.05 | 0.14 | 0.15 |

Key:

1. Tumen, Xi'an City
2. Jianguo Road, Baoji City
3. Renmin Street, Weinan City
4. Beiguan, Hanzhong City
5. Yabai, Zhouzhi County
6. Yihe, Suide County
7. Xing Town, Pucheng County
8. Chengguan, Chenggu County
9. Qi Town, Mei County
10. Chengguan, Shanyang County

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CSO: 4006/958

## ECONOMIC MANAGEMENT

### REFORM OF ECONOMIC MANAGEMENT ORGANIZATIONS IN URBAN CENTERS

Tianjin TIANJIN RIBAO in Chinese 12 Nov 85 p 4

[Article by He Zuo [0149 4373]: "A Preliminary Look at the Reform of Economic Management Organizations in Urban Centers"]

[Text] The reform of economic management organizations is an essential aspect of the overall restructuring of the city-based economic system. As reform expands in scope and depth, there arises a corresponding need to reform the existing economic management organizations to meet the requirements of the development of a planned commodity economy. How does an urban center go about correctly understanding the functions of an urban government agency in economic management and seriously examining the form which the organization should take, based on the principles spelled out in the "Resolution" of the 3d Plenum of the 12th CPC Central Committee? This is a question which must be explored in depth.

An economic management organization is a formalized institution whose purpose is to fulfill certain economic management functions using certain managerial tools. What institutional format should such an organization in an urban center take? To answer this question, we must first clarify the organization's economic management functions and characteristics. The "Resolution" stipulates eight major economic management functions for a government organization. This provision certainly applies to the government organization of an urban center, but because of the special position and unique role of an urban center, its economic management organizations have some other special functions.

An urban center is where trade and industry concentrate. To facilitate the organization of specialized cooperation, the state has decided to transfer to urban centers the management of the bulk of enterprises. Accordingly, a municipal government should do more to guide, coordinate and promote the specialized cooperation between enterprises, enterprise reorganization and mergers, and their technical and managerial modernization.

The urban center is a centralized market, the confluence of the flows of commodities and materials, and often a transportation hub as well. This requires the municipal government to strengthen its guidance and promotion of commodity and goods circulation and its management and control of the

market. There is a corresponding need to step up urban development and improve social services.

The urban center is the link between the macroeconomy and the microeconomy, with a special responsibility for both macroeconomic management and microeconomic stimulation. Therefore, the municipal government should draw up well-conceived long- and medium-range economic and social development plans based on the overall demands of the entire nation's economic development as well as local conditions. It should also be entrusted with the appropriate power to adopt economic mechanisms to regulate economic activities.

These characteristics distinguish the functions of an economic management organization in an urban center from those of its counterpart in a province or autonomous region. It follows that its setup too exhibits its own special features. This is a major point to bear in mind when we tackle the reform of economic management organizations in an urban center. If we ignore it and impose one single model on all management organizations, urban centers will be hemmed in and unable to fulfill their functions.

Economic management organizations are shaped by their functions. The latter, in turn, are determined by the model which the overall economy follows. For this reason, management organization reform must fit in with the economic system as a whole.

For a long time, China practiced basically a product economy, characterized by over-centralization, a lack of division of labor between enterprises and government organs and fragmentation. The entire national economy resembled a "giant factory." Enterprises were treated like workshops and state organs became "offices of the general manager," exercising direct, complete and detailed control over enterprises. The inevitable result was a proliferation of management organizations, elongated chains of command, over-staffing, buck-passing and rampant bureaucratism. The "Resolution" of the 3d Plenum of the 12th CPC Central Committee clearly points out that our socialist economy is a "planned commodity economy based on public ownership." To meet the demands of this economic model, the reform of economic management organizations in urban centers must satisfy the following three requirements:

First, separate the functions of enterprises from those of government. After the management of enterprises is delegated to a city, the municipal government absolutely must not treat them as the appendages of some administrative agency and rein them in. Instead, it must delineate the functional boundaries between enterprises and government and observe the principle of simplifying administration and decentralizing power. Whatever autonomy the CPC Central Committee has conferred on enterprises must be given to them, down to the grassroots enterprises so that the latter really become relatively independent producers and operators enjoying managerial autonomy and are responsible for their own profits and losses. In accordance with national plans, policies, and principles, the municipal government should use essentially economic, legal, and necessary administrative tools to guide the enterprises and exercise comprehensive and indirect regulation, control and management at the macroeconomic level. With much less detailed and direct

intervention in enterprises, the setup of government organizations can be radically streamlined and their staff greatly reduced.

Second, the main managerial tools should be economic. We ran our product economy in the past by relying heavily on administrative fiat as the allocation and distribution tool and on command planning to determine production and circulation. Consequently, specialized economic management organizations were over-staffed and duplicated one another while general economic management organizations, whose weapon was economic leverage, were weakened and became mere administrative agencies, unable to play their role of regulation and functional control. Now that we want to develop a planned commodity economy, we must comply with the basic law of a commodity economy--the law of value--and adopt mainly economic mechanisms to manage the economy, making use of all manner of economic levers in particular. Therefore the shift to economic mechanisms will make it imperative that specialized economic management organizations be simplified.

Third, adapt to the characteristics of urban centers. In general, departments in economic regulation, market management, economic supervision, urban development and consulting services, etc., should be appropriately centralized and strengthened. Since urban centers each have their own special characteristics, so should the setup of their organizations. For instance, large urban centers with numerous large-scale enterprises may need more management levels than enterprises in small and medium-sized cities; we certainly do not mean to suggest that the shorter the chain of command, the better. Also, major opened coastal cities may need to beef up their management organizations in external economic relations and trade. In short, we must take realities as our point of departure and not copy others blindly.

The reform of economic management organizations is a complex, important policy issue which involves a range of matters and has extensive repercussions. Hence we must be cautious as well as enthusiastic and make safe moves even as we proceed firmly in the direction of reform. Right now we may begin our effort in the following three areas:

First, we must mobilize forces to develop a comprehensive plan for the reform of an entire urban center's economic management organizations. Such organizations are in themselves entities comprising organic components. In its entirety, the reform of economic management organizations is a piece of systems engineering. The various organizations supplement and interact with one another. If we do not formulate a comprehensive plan and determine a sequence of reforms from the standpoint of interconnection, and instead tinker with the problem in a haphazard way, treating each symptom as it arises, we will produce half the output despite twice the input. But if we go about reform step by step in a goal-oriented way, that is, bring together theoretical people and practical doers and, after painstaking research, studies, analyses and demonstrations, work out a comprehensive plan for a basically rational organizational structure, together with a setup for the transitional period, we will successfully avoid many detours.

Second, existing economic management organizations should zero in on reform by adjusting their functions. We believe that the reform of economic management



organizations really consists of two aspects: 1) reforming the substance of economic management by adjusting organizational functions; and 2) reforming the form of economic management by changing the organizational setup. Needless to say, these two aspects are both related to and different from each other. It would be ideal if the two can proceed in tandem and are completed at the same time, but since the present system has been in existence for years and we lack successful experience in wholesale reform, it may be a more positive and prudent move to reform functions first and then tackle the organizational form, ie., "remove the joss sticks first and then demolish the temple." This point is of particular importance to urban centers with a heavier concentration of industry and commerce, especially large cities. Today the various economic management organizations cannot just sit around and wait for reform. They should take the initiative to overhaul their functions. General economic management organizations should begin by tackling such trivial matters as divvying up funds,, materials and personnel and providing a decision-making standard and macroeconomic regulatory capability. From managing enterprises, specialized economic management organizations should gradually shift to the management of an industry. On the basis of functional reform, we may then slowly move on to organizational streamlining, restructuring and merging.

Third, we must lose no time in reforming what we know is clearly wrong and carry out pilot projects where we are not certain. In other words, some organizations are patently irrational and totally at odds with the requirements of economic development. If this is the consensus, then we must firmly and promptly reform them, without having to wait for others. Some organizations have a clear sense of their reform direction but lack practical experience. In these circumstances, they may select as laboratories one or two departments from within which are typical or have the right conditions for the conduct of a pilot project. Armed with the experience derived therefrom, they can then popularize the changes. The wholesale reform of economic management organizations cannot be accomplished overnight. Nor is it a one-shot effort. Instead of moving too quickly, we should keep a measure of stability. All these considerations must be taken into account.

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CSO: 4006/525

ECONOMIC MANAGEMENT

ANHUI REVIEWS RESPONSIBILITY SYSTEM EXPERIENCE

OW260351 Hefei ANHUI RIBAO in Chinese 13 Feb 86 p 1

[Dispatch by Sun Xijing and Li Jiyao]

[Text] A provincial meeting to exchange experience in popularizing the personal responsibility system in party and government organs was held recently in Hefei. Comrade Meng Fulin, member of the Standing Committee of the provincial CPC Committee, vice provincial governor, and head of the provincial Leading Group for Popularizing the Personal Responsibility System in Party and Government Organs, attended the meeting and delivered a report. Wang Yuzhao, deputy secretary of the provincial CPC Committee, addressed the meeting. The meeting pointed out: The work of popularizing the personal responsibility system in party and government organs in our province has been marked by an early start, relatively quick progress, and sound development. Over 80 percent of party and government organs and institutions at the prefectural, city, and county levels in the province have established this system, while among the provincial organs, those implementing this system account for more than 20 percent. Thirty percent of the units where this system is implemented have simultaneously achieved the goal of grasping the responsibility system, the job evaluation system, and the reward and penalty system and have achieved quite good results in their work.

The meeting also pointed out: Implementing the personal responsibility system is a major task in strengthening the various organs. Persistently implementing this system will help overcome bureaucracy, raise work efficiency, and step up the building of spiritual civilization. Success in implementing this system hinges on the correct understanding by the leadership at all levels. Leading organs should play an exemplary role in this regard. They should earnestly strengthen their leadership over this work, occasionally check to see how the system is being carried out, sum up experience, and devote their efforts to "consolidating" and "perfecting" this system. At the same time, they should take a serious attitude to evaluating and comparing the work done in this regard by their various units and establish a system for constantly conducting such evaluation and comparison and for giving rewards or penalties as required.

At the meeting the Education Bureau of Qimen County, the Organization Department of the Feidong County CPC Committee, and eight other units recounted their experience. Another 17 units submitted written reports to the meeting.

Some 200 people attended the meeting, including all members of the provincial leading group for popularizing the personal responsibility system and comrades related with the implementation of this system from various prefectures and counties, provincial departments and bureaus, institutions of higher learning, and central units stationed in Hefei.

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CS0: 4006/769

## ECONOMIC MANAGEMENT

### TEAM UNCOVERS TAX, FINANCE, COMMODITY ANOMALIES

HK201139 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 15 Feb 86

[Text] By the end of last year, the provincial tax, finance, and commodity price inspection group had inspected the situation regarding the financial income and expenditure of 291 administrative units and institutions at the provincial level. It found discipline violations which involved 4.92 million yuan, of which 1.6 million yuan was bonuses indiscriminately issued; 1.14 million yuan was misappropriated retained funds; 1.35 million yuan was unpaid taxes, profits, and funds for key energy and communications projects; 670,000 yuan was money spent to buy small cars and other special commodities without examination and approval; and 160,000 yuan was allocations for additional retentions and special funds.

Judging from the situation found during the inspection, the main problems are:

1. The institutions which had income indiscriminately issued bonuses, goods, and wages. The provincial construction design institute's net income in 1984 was some 1 million yuan. It issued bonuses, subsidies, and goods whose value was as high as 310,000 yuan. Each person received an average of 885.7 yuan, which is equal to 10 months' standard wages. In 1985 it issued bonuses, subsidies, and goods whose value reached 510,000 yuan. On average, each person received 1,457 yuan which was equivalent to 18 months' standard wages.
2. Income was withheld, payment was in arrears for the key energy and communications projects, and funds for production were misappropriated.
3. The financial system was not sound and management was chaotic. The service department of the (Zhiyong) Museum had not made an inventory of its nonstaple commodities for a long time and losses of 13,000 yuan in meat and high-grade commodities was reported on one occasion. Their receipts were not supported by vouchers and they did not promptly pay in money collected. They used foreign exchange certificates of some 44,000 yuan without authority and approval to buy high-grade bicycles and sold them to workers and households connected with them.

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CSO: 4006/766

ECONOMIC MANAGEMENT

BRIEFS

HUNAN INDUSTRY, COMMERCE--The number of individual industrial and commercial households in Hunan Province the end of last year was some 590,000 or 30 percent more than in 1984. Last year, industrial and commercial administrative departments at all levels in the province vigorously supported the development of the individual industrial and commercial undertakings. They simplified the procedures for the business registration of the individual households and helped them solve practical problems of factory sites, technology, and raw materials. Last year they ran some 100 technological training courses and trained some 20,000 sewing, clock, watch, and radio repair workers, barbers, and photography workers. [Summary] [Changsha Hunan Provincial Service in Mandarin 2300 GMT 16 Feb 86 HK] /12640

FINANCE AND BANKING

TAX, FINANCIAL AFFAIRS INSPECTION STIPULATIONS ISSUED

Beijing SHANGYE KUAIJI [BUSINESS ACCOUNTING] in Chinese 10 Nov 85 pp 3-5

[Article: "Certain Stipulations on Handling Relevant Financial Affairs Problems in General Financial Inspection"]

[Text' [Editor's note] Based on State Council National Document No 101 (issued 1985), Ratification of Ministry of Finance Circular, "Report on Launching of General Tax Revenue and Financial Affairs Inspection," the Ministry of Finance printed and distributed "Certain Stipulations on Handling Relevant Financial Affairs Problems in General Financial Inspection" on 31 August 1985 in Finance Work Document No 314 (85). Following is the full text of the "Stipulations." [End of editor's note]

In order to enforce party discipline and national law, correct unhealthy tendencies and maintain national revenue, based on present national policies and laws and regulations, the following stipulations are specially made on handling certain relevant financial affairs problems in general financial inspection.

1. All violations of national stipulations and appropriations of the following national revenue must be cleared up:

A. All revenue which should be turned over to the state that enterprises retain and misappropriate, such as private, trial and exhibit-sale product profits; joint management profits acquired by contract-stipulated division with foreign units; profits acquired by using the market regulation method to carry out production management activity beyond state plans; foreign trade product profits; profits from products sold on commission at negotiated prices; profits from running tertiary industries; profits from trial production carried out by newly built factories, mines, and shops; state trade corporation (warehouse) profits; local trust company profits; all labor service, rental, and technology transfer revenue; revenue from waste products and waste materials offered for sale; overdue packing material deposits; all indemnity, penalty, and other revenue must be repaid in full to public finance.

Enterprises that practice fraud and report false losses must be dealt with sternly. Fraudulent loss subsidies should be repaid in full to public finance.



B. All violations of "State Enterprise Cost Management Regulations" and financial accounting system stipulations, willful collusion to make, and making of, false reports of extra costs and expenses or extra business expenses, and appropriations of national revenue must be rectified and repaid in full to public finance.

All registered account profits and losses which enterprises should have, but have not, shared in or paid, and fixed deposit interest which banks have listed falsely and should have but have not, paid, minus 1984 closing profits, should be verified and cleared up promptly, and revenue which should be returned must also be repaid to public finance.

Costs which should be paid, according to stipulation, out of enterprise special funds but are included in production and commodity circulation costs, should begin to be paid out of all enterprise special funds, and profits should be repaid according to stipulations. If what is to be repaid cannot be paid from the relevant special fund that year, it can be collected and paid according to stipulation from the special fund in question the following year.

C. Extra above-purchase-price costs which should be turned over to the state, such as illegally obtained grain, oil, and cotton extra above-purchase-price costs and those of oil, oil-bearing crops, and beyond-plan export grain and oil, which grain, oil and cotton enterprises acquire by buying at parity prices and reselling at high prices through such means as "substituting negotiated prices," "exchanging varieties" and "reserving for the team," should all be turned over in full and on the spot to the national treasury. Excessive price-difference subsidies gained by enterprises through violating grain and oil sales policies by reselling at negotiated prices purchased at grain and oil parity price, should also be turned over to public finance.

D. When foreign trade enterprises force up commodity procurement prices by rushing to purchase, thus increasing export commodity costs or, when selling abroad or in other parts of China, competing to sell at low prices, thus increasing national losses, this must all be corrected conscientiously and dealt with sternly. Such things as fraudulent and falsely listed domestic market losses and falsely increased procurement and transfer link costs must all be inspected thoroughly, verified, and turned over in full to public finance.

E. All unauthorized increasing, without Ministry of Finance approval, of such special funds as depreciation funds, renewal and transformation funds, general repair funds, and staff member and worker welfare funds through withdrawing parts of national revenue must be corrected. The excess amount withdrawn should be recovered in full and repaid to public finance.

F. Technology loan projects which have not been completed and put into operation, or have not achieved the anticipated results after being completed and put into operation, and which have used former enterprise profits to repay loans, must repay loans from enterprise special funds and repay the profits according to stipulations.

G. Price-difference revenue from foreign exchange which enterprises keep in order to offer for sale at higher than state-stipulated foreign exchange trade closing prices, and profits which they acquire through using retained foreign exchange to buy and resell state-controlled import commodities at a profit, after compensating for export product losses, must be turned over to public finance according to stipulation. Activities which violate national foreign exchange control stipulations, such as buying and reselling at a profit and illegally converting foreign exchange and foreign exchange certificates, must be dealt with sternly. Revenue illegally obtained in this way should be turned over in full to public finance.

H. Illegal profits obtained by unauthorized enterprise raising of prices should be turned over to public finance according to the stipulations of State Council and Central Discipline Inspection Commission National Document No 104 (issued 1983) and Ministry of Finance, State Price Bureau and China People's Bank Finance Budget Document No 20 (84).

The giving and accepting of "sales commissions" and "brokerage fees" should be corrected. Accepted "sales commissions" and "brokerage fees" should be cleared up and turned over to public finance. All distribution of "sales commissions" and "brokerage fees" to staff members and workers is of a corrupt and bribetaking nature and must be recovered in full; those which cause economic losses must be compensated for, and those which are serious must be punished according to law.

2. That portion of unauthorized excess withdrawn and excess retained profits which enterprises retain as profits or withdraw to reduce losses, and which is not according to state-ratified proportions, should be repaid in full to public finance.

Enterprises which have not been subject to state-ratified profit-and-loss responsibility should all carry out the method of substitution of taxes for profits according to state stipulations, and their excess retained and distributed profits should be repaid to public finance.

3. All wages, allowances, bonuses, subsidies, and material objects which are issued in violation of state stipulations should be handled according to the following methods, and funds which should be recovered by public finance, must all be turned over to public finance:

A. Bonuses issued by enterprises, except for those otherwise stipulated by the State Council, the Ministry of Finance and the Ministry of Labor and Personnel, should be paid by withdrawing staff member and worker award funds. Bonus taxes paid by enterprises according to law should also be paid from enterprise staff member and worker award funds. All bonuses misappropriated from production development funds, new product trial-production funds, staff member and worker welfare funds and reserve funds should be paid from award funds. All bonus payment that violate cost or profit stipulations should be rejected in full.

The wrong method of enterprises giving out "red packages" [hongbao 4767 0545] should be corrected resolutely, and reissuing of them is forbidden. Those that were issued in the past should be uniformly channeled into the total amount of bonuses and bonus taxes should be paid on them according to law.

B. The costs or price differences of all goods and materials, such as washing machines, tape recorders, refrigerators, television sets, radios, furniture and other goods that enterprises have given free or sold at subsidized low prices to staff members and workers, should be recovered at once or by stages. The price-difference losses of material objects that staff members and workers wish to return for enterprise commission house purchases should be paid through each unit's withdrawn award funds.

C. Unless approved by the State Council, no enterprise unit may use public funds to make or issue clothing. The costs of those which units have manufactured and issued on their own should be dealt with according to the stipulations of such documents as State Council National Document No 145 (issued 1984), Ministry of Finance Finance Work Document No 13 (85) and National Social and Collective Purchasing Power Control Office Purchase Control Document No 3 (85). The part belonging to individual responsibility should be paid by individuals; that which has been paid from public funds should be deducted in full. The part belonging to public responsibility should all be paid through award funds; that which has been listed as costs, expenses, or extra business expenditures, should be deducted in full.

D. The providing of free lunches by responsible departments and enterprise stipulations not subject to State Council approval should be corrected resolutely. Costs that have been paid should be paid through award funds; those that have been listed as and paid through costs or extra business expenditures must be deducted in full.

E. Floating wages, etc., included in costs, which should be paid through award funds by enterprises that have not carried out wage reform, should be rejected in full and paid through award funds; enterprises which have linked payrolls to economic results but have withdrawn too many wage funds by changing the wage base, the taxes and profits turned over to the state, and floating proportions, should be dealt with according to the relevant national enterprise wage reform stipulations.

F. All self-made products and goods and materials that enterprises have distributed in private or sold at low prices to staff members and workers, and products that they have provided to other units or individuals for trial use, trial viewing or trial listening, regardless whether they have been written off, should be evaluated, cleared up, and recovered. Funds that are difficult to recover at once can be recovered in installments within a year.

Bonuses that enterprises have given to higher authorities or related units should be recovered by the enterprise; the part they are really unable to recover should be incorporated in the amount of bonuses enterprises have actually issued, and bonus taxes should be paid on them according to law.

4. According to the stipulations of "Certain Intra-Party Political Life Criteria" and relevant Central Committee and State Council documents on strictly forbidding the use of public funds and public property to entertain guests or present gifts, the responsibility must be investigated and affixed for, and the necessary political discipline and punishment given to, those who approve of, or are involved in, enterprises misusing public funds and public property, entertaining guests or presenting gifts, taking trips to scenic spots, squandering national assets, and creating heavy losses and waste. Those involved in serious cases should be reported to leaders and dismissed from their posts.

5. All transforming of state-owned enterprises to collective ownership, transferring of budgeted enterprises to extra-budgetary ones, or transferring of some state-owned enterprise shops and retail departments or buildings and equipment built by state ownership system investment to collective ownership, except that subject to provincial, autonomous region, or directly administered municipality people's government special approval, must be investigated and cleared up conscientiously and corrected resolutely, and revenue which should be turned over to the state must be recovered.

6. All free transferring of state funds to collective funds through such means as setting up labor service companies or other collective organizations, or selling of national materials and products at allotted or low prices to these organizations, which then offer them for sale at high prices or obtain income from receiving commissions, should be cleared up, inspected, and corrected conscientiously. Illegal revenue acquired in this way must be turned over to public finance.

The giving of state revenue by state-owned units to subordinate collectively owned units through deliberately using such methods as reducing raw and processed material prices, raising processing cost standards or contributing less wages and expenses, should also be inspected and corrected, and unfair revenue obtained in this manner should be recovered and promptly turned over to public finance.

7. Enterprises must thoroughly clear up staff member and worker debt, draw up plans for debtors to repay in installments and carry them out strictly. Installment repayment deadlines must not generally exceed 1 year. Unauthorized exemption of staff member and worker debt must be inspected and corrected, and the responsibility of units which approve of, and of the personnel concerned in such exemption, must be investigated and affixed. All public funds loaned for private use on any pretext must be cleared up and recovered; staff members and workers who use borrowed public funds to speculate or for other illegal means to seek personal gain, must be given appropriate administrative and economic punishment according to their various situations. The criminal responsibility of those who have committed crimes must be investigated and affixed according to law.

8. All units should thoroughly check up on all small safes and small public businesses. Revenue found in such places that belongs to the state should be cleared up and turned over to public finance, and that belonging to enterprise units should be entered into accounts by financial accounting departments

and handled according to relevant stipulations. Funds embezzled or squandered by individuals which are found in small safes or small public businesses must be cleared up and recovered.

9. Specially controlled commodities bought by enterprises in serious violation of state stipulations controlling social and collective purchasing power should be confiscated completely and distributed for other use by the people's government or responsible departments.

10. Fines and overdue fines for taxes evaded or owed by enterprises (including extra-budgetary enterprise units), should be listed as and paid through enterprise retained profits or other funds. Those calculated as and paid from product costs and expenses or extra business expenditures must be deducted.

11. All arbitrary apportionment, not subject to State Council approval, of enterprise funds and costs by all regions, departments and units, should be corrected. Enterprises should refuse to pay all apportioned funds which do not conform to state stipulations.

12. All revenue which must be repaid should be turned over to public finance at all levels according to enterprise subordinate relations and be inspected, cleared up, and stored conscientiously. Specific units which truly have trouble repaying at once must work out repayment plans, report them to public finance departments for investigation and approval, and turn the revenue over to the state in installments.

13. Enterprises that inspect their own problems on their own initiative through self-inspection and promptly repay profits that should be turned over to the state, subject to public finance department verification and approval, can be handled leniently, but must still calculate and withdraw post-tax retained profits or proportions. As soon as something that is hidden, not reported, and covered up is discovered, it should be turned over in full to public finance, and fines should be imposed according to relevant state stipulations. The administrative and even the legal responsibility of enterprise leaders and personnel involved in serious cases must be investigated and affixed.

Enterprises which object to the handling of discovered problems should, on one hand, handle them first according to public finance department suggestions and, on the other, report them to the concerned higher level public finance departments for discussion and adjudication.

14. If some problems discovered in this inspection are caused by people's governments or responsible departments at all levels overstepping their jurisdiction and issuing their own stipulations, concerned regions and departments should promptly dispatch messages to correct them.

15. If cases of economic violation, such as graft and embezzlement, speculation and bribery, are discovered in this inspection, enterprises and higher authorities should organize special forces, inspect them thoroughly, and deal with them sternly. Crimes should be submitted to judicial organs for handling according to law.



16. All problems of violation of financial and economic discipline discovered in this inspection, whether occurring prior to 1984 or after 1985, should be handled according to these stipulations. As to other problems not covered by these stipulations, each region and department can formulate supplementary measures based on the spirit of these stipulations and report them to the Ministry of Finance for the record.

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CSO: 4006/381



## INDUSTRY

## URGENT PROBLEMS IN SHIP WELDING ADDRESSED

Shanghai ZAOCHUAN JISHU [JOURNAL OF MARINE TECHNOLOGY] in Chinese No 1 (59)  
Jan 85 pp 45-46

[Article by Yu Weiming [5713 4850 2494]]

[Text] Welding is one of the critical techniques in shipbuilding and accounts for roughly one-third of the worktime in ship construction. Increased shipbuilding and higher standards of quality have been accompanied by a rapid increase of activity as regards welding techniques, equipment, materials, and welding instruction. Here we will discuss some urgent problems in marine welding which should be amenable to solution.

1. Faster construction of welding equipment and greater production of welding materials

Most Chinese welding equipment is modeled on equipment that was used abroad in the 1950's; compared with modern Western equipment, ours is bulky, heavy, energy-inefficient, and unproductive. The basic situation can be summarized as follows:

a) The equipment is very old--regulations permit the use of equipment as old as 20 years, which is much longer than the 7-year lifetime in Japan or the 10-12-year lifetime in the Soviet Union. Thirty-four percent of our welding equipment has been around for more than 23 years, was never of very high quality, and has not been properly maintained. Consequently, only 50 percent of the equipment is in good working order; 32 percent is usable in an emergency, while the remaining 18 percent should be scrapped (the latter percentage is constantly increasing).

b) Two-thirds of the electric power generators used in hand-held electric arc torches are of the dc rotor variety; welding tools of this type are noisy, energy-inefficient, difficult to design and maintain, and are essentially obsolete outside China.

c) A very high percentage--up to 85 percent--of all ship welding is done using hand-held torches. There is a shortage of more efficient welding equipment, such as gravity welders, CO<sub>2</sub> safety welding tools, multifilament submerged-arc welding devices, etc.

d) Specialized welding equipment is not available for off-shore platforms, e.g., suspension submerged-arc welders with one or more filaments, protective gas welders of the suspension type, gas-activated power sources for carbon arcs, etc.

The plight of the major shipbuilding plants has reached the point where updating of outmoded equipment is absolutely essential.

The plants in the Ministry of Equipment and Industry system responsible for manufacturing welding equipment can provide only general-purpose equipment used in large quantity. The 800-amp carbon arc sources needed in certain shipbuilding operations are unavailable, as are power sources capable of long-distance operation which are equipped with automatic circuit breakers, can control the torch temperature and other characteristics, and have high no-load voltages and safety insulation. Because the welding needs of the shipbuilding plants are relatively modest, there is little incentive for the average plant to do research and development in this area. These needs have thus been neglected, to the detriment of progress in ship welding.

Some plants have attempted to remedy this situation by producing the equipment themselves, or by providing materials and blueprints to other plants that will build the equipment for them; however, this is wasteful and gives poor results.

Plans at the major shipbuilding plants all call for adding new welding equipment within the next decade. However, the plants in the Ministry of Equipment and Industry system will be hard-pressed to manufacture this welding equipment entirely on their own. Moreover, new types of welding equipment are constantly required and must be continually updated in order to construct new ships, off-shore platforms, etc.

The materials employed in marine welding include welding electrodes, welding wires, flux, safety wires with inert CO<sub>2</sub> gas, gravity welding electrodes, high-efficiency iron-powder electrodes, cored electrodes, diverse type of pads, etc. These various materials are all needed in great quantity.

The Ministry of Equipment and Industry is essentially capable of meeting the demand for ordinary welding electrodes of the acidic or alkaline types. This is not true, however, of some other types of special-purpose welding materials needed in marine welding, such as gravity welding electrodes, high-efficiency iron powder, and cored electrodes, pads, and certain types of welding electrodes used to construct platforms. While many materials are needed, the need for any specific material here is quite modest, too small to be of much interest to the welding-equipment manufacturers. Even if the latter were to undertake this responsibility, for various reasons a long-term stable supply could not be guaranteed. This shortage of welding materials has been partly responsible for preventing the general use of the gravity electrode and CO<sub>2</sub> safety welding techniques at Shanghai shipbuilding plants. This problem will become more acute as more new ships of higher quality are built.

The problem of the rapid construction of welding equipment and materials thus needs to be addressed. Specifically, R&D must be done on welding equipment and materials suited to the special needs of shipbuilding, and on ways to manufacture them. Foreign technology, supplementary trade, and Chinese and foreign joint investment may help to speed up this process.

China has several well-known welding electrode shops (some more than 20 years old), and the basic technical and equipment prerequisites are well in hand. The well-known welding electrodes manufactured by these shops have been certified by classification societies. Their contribution to Chinese shipbuilding can be increased simply by making some minor technical adjustments to fully exploit their advantages and by introducing appropriate techniques and equipment as required.

Production of welding equipment for shipbuilding can also be stepped up by assigning production to additional plants now operating under capacity; manufacturing centers based on imported technologies can be formed quickly.

## 2. Welding Instruction Centers

Although welding techniques and conditions in the shipbuilding industry compare favorably with those in China as a whole, the basic theory and technology is still far from adequate to support China's developing shipbuilding industry. Most of the workers involved in welding entered the plants during the 1970's (a few of them are graduates of technical vocational schools); the middle-aged workers who entered in the 1960's are somewhat better qualified, but even here improvement is needed.

Welders will be needed to work on ships for export in the years ahead. These workers will require training, supervision, and certification before they can be put on the job. Although many plants have invested much energy and human and material resources in working training, both the standards and the methods adopted leave something to be desired.

The training of welders is a long-term day-to-day project. According to the specifications of the Department of Labor, workers must pass a safety test before being authorized to do specialized welding work on a continuous basis (workers will also be retested periodically, as they are expected to undergo continuous retraining). This is no different from the policies adopted by ship classification societies outside China--workers are frequently trained and given qualification tests before being permitted to weld. Older workers must be retrained to update their knowledge and combat technical obsolescence, while ways must be found to train new welders with ever-higher qualifications. There are numerous plants overseas (e.g., the VIE Corporation in France, which manufactures oil-drilling platforms) that have made arrangements jointly with shipbuilding plants to train welders both young and old on rotating schedules.

The shipbuilding industry in China still lacks a central facility for training welders; the effects on shipbuilding are likely to be harmful if this is not remedied.

Centers for instruction in welding should therefore be set up promptly to train welders on a rotating schedule. If the centralized corporate systems encounter difficulties in handling the load, local welding instruction centers can also be set up in regional corporations by transferring the necessary personnel (such personnel will have strong backgrounds in both the theory and practice of welding).

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CSO: 4008/360

## INDUSTRY

### SHANXI NOTICE URGES BOOSTING INDUSTRIAL OUTPUT

HK200249 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 19 Feb 86

[Excerpts] The Provincial Economics Commission recently issued an urgent notice calling on the leaders at all levels in the industry and communications to get a good grasp of work in the remainder of the first quarter to ensure that industrial production and economic results during the quarter exceed the growth rate for the same quarter last year.

The circular said: Shanxi's industrial production continued to rise steadily during January. Total output value was 1.555 billion yuan, an increase of 3.5 percent over January 1985. This included an increase of 9.7 percent in light industry and 1.1 percent in heavy industry.

The circular pointed out: the province's growth rate allowed in January and was below the national average growth figure. Unless we take effective steps to rapidly transform this situation, the first quarter will be directly affected and growth rate and economic results over the whole year will also be affected.

To strive for a relatively good growth rate during the first quarter, the circular demanded that prefectural commissioners and mayors in charge of industrial and communications production carry out a thorough analysis and study of January production and economic results. They should take effective steps to deal with existing problems, and boost production during the second half of February and in March.

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CSO: 4006/778

CONSTRUCTION

MEETING DISCUSSES DIVERSION OF HUANG HE WATER PROJECT

SK270159 Jinan Shandong Provincial Service in Mandarin 2300 GMT 25 Feb 86

[Excerpts] The headquarters for the project of diverting the Huang He water to support Qingdao was established on 25 February and held its first meeting. Lu Hong, vice governor of the province and commander of the project, presided over the meeting. Li Changan, deputy secretary of the provincial CPC Committee and governor of the province, spoke at the meeting.

Governor Li Changan stressed: The project of diverting the Huang He water to support Qingdao is a key state project to be constructed in our province during the Seventh 5-Year Plan period. Governments and departments at various levels should regard it as a major task and grasp it. The headquarters for the project should be given full power for directing the construction. The headquarters established by the province is a strong leading organization which has both duties and powers, and also represents a system for unified direction. Departments in charge of the project at various levels should abide by its command, and safeguard the overall interest. The issue concerning the investment responsibility for the project should be resolved well. In order to ensure the construction of this key project, all departments concerned should actively participate in the construction, contributing whatever they have--money, manpower or materials,-- and shouldering together the exceptionally heavy responsibility.

Responsible comrades of the Jinan Military region and more than 20 provincial units attended the inaugural meeting.

The project of diverting the Huang He water to support Qingdao starts from the Huang He water diverting sluice gate in (Dayuzhang) of Boxing County. It is 286.64 km long, running through 10 counties and districts of three cities and one prefecture. Construction will begin in the second quarter of this year, and will take three years to complete. Rounding-off work will be done in the fourth year. Total investment in the project is 800 million yuan. After completion, it can provide 300,000 tons of water to Qingdao daily.

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DOMESTIC TRADE

BRIEFS

BEIJING COMMODITY SALES--Beijing Municipality's total volume of commodity retail sales reached 12.75 billion yuan last year, increasing by 25.3 percent and more than 100 percent over 1984 and 1980, respectively. Conspicuous changes took place in its consumer goods markets. Compared with 1980, the sales of television, washing machines and refrigerators increased by 1, 4 and 11 times, respectively. [Excerpts] [Beijing BEIJING RIBAO in Chinese 13 Jan 86 p 1 SK] /12913

CSO: 4006/772

FOREIGN TRADE AND INVESTMENT

BUSINESS CHINA ANALYZES FOREIGN TRADE SITUATION

HK160730 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English  
16 Feb 86 p 1

[By Carolyn Lueng]

[Excerpts] China will have to maintain tight controls on imports, domestic credits, prices and strive to revive slumping grain production this year, according to a report in BUSINESS CHINA.

Foreign exchange, the report suggests, will be closely husbanded and foreign exchange spending will continue to be scrutinised. Approval levels enjoyed by some municipal governments could be lowered. Companies trading with China should expect the closure of some small import and export companies due to the clamps on foreign exchange as well as possible moves by the Ministry of Foreign Economic Relations and Trade (MFERT) to control the operating standards.

"Reneging on contracts under the impetus of foreign exchange shortages may occur," it said. "Efforts to break contracts down to smaller, more financially manageable lots may be made. Demands for more expensive training associated with sales may be heard. More competition will be felt from USSR and Eastern Europe especially in machinery and vehicle sales." The report also suggests that MFERT might work out a system of trade credits this year.

Companies which have reached the negotiation level are advised by BUSINESS INTERNATIONAL to prepare for longer terms or joint equity ventures. "Chinese authorities' fears of falling foreign exchange reserves will heighten their already intense interest in direct foreign investment," it said. "Terms of 50 years or longer will be granted this year. Besides, MFERT's usual attention for balancing foreign exchange will intensify." That means companies have to provide more detailed plans for generating foreign exchange before the approval of business deals. The negotiating companies are also advised to resist any possible demands for Chinese services in foreign exchange.

However things will brighten up for companies which are actually running in China. According to the report, existing companies in China will have better opportunities and more success in recruiting managerial and technical personnel.

The implementation of industrial and economic reforms in China also sparked a few problems, such as high and rising prices spurred by increasing investment and consumption demands and relaxed credit control.

BUSINESS CHINA also predicts a huge trade deficit for China because of fast growing foreign trade. China's imports of rolled steel, chemical raw materials and consumer durables have grown substantially.

Meanwhile another report in BUSINESS CHINA criticised China's new 14-article regulations which apply to all joint equity and contractual joint ventures. They won't solve foreign exchange problems, it says. The rules were formulated by the State Council last month and became effective at the beginning of this month. They suggest three ways to solve the foreign exchange problems suffered by joint venture companies--sales, exports and multi-investment. Stipulating a number of articles, the joint venture manufacturers can sell their products in China for foreign exchange under import substitution arrangements, or apply to sell a large portion of its high-technological products within the country, or simply allow any joint venture companies to sell to any PRC customers for foreign exchange as long as it receives permission from relevant authorities.

"The critical issue here is finding Chinese customers or partners who are willing to pay foreign exchange especially at these times of tight foreign exchange control," commented the BUSINESS CHINA researchers.

The new regulations also state that joint venture companies may export non-joint venture products to earn foreign exchange. But MFERT must approve the exports; they must be exclusively handled by the central government and need an export license or come under export quotas. "Prohibited by Chinese regulations from procuring products that are exported by Chinese foreign trading companies, the joint venture companies can only deal with products that are almost never exported," the report said.

According to the new regulations, foreign investors with more than one joint venture in China can use the foreign exchange surplus of one venture to subsidise the other. Besides, the regulations also specify that joint venture companies which are heavy in renminbi earnings may re-invest in other ventures to generate foreign exchange income. According to BUSINESS CHINA, the re-investment method is being used by a number of companies which have diversified into hotel and tourism industries. However, the report says that many companies lack the ability to run both industrial and tourist ventures and even if they do, they are reluctant to start up any new ventures when the foreign exchange control is still tight.

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FOREIGN TRADE AND INVESTMENT

JIANGSU PROMOTES JOINT VENTURES WITH FOREIGN FIRMS

OW151558 Beijing XINHUA in English 1455 GMT 15 Feb 86

[Text] Nanjing, 15 Feb (XINHUA)--Jiangsu, a coastal province in east China, has established 617 joint-venture enterprises with foreign firms in the last six years, with a total foreign investment of 210 million U.S. dollars.

Eighteen of these joint-venture enterprises, which have already gone into operation, have earned over six million U.S. dollars from exports of their products.

Joint ventures are now located in 11 cities in the province, compared to only three when it first opened its doors to foreign investors a few years ago.

The fields covered by these joint ventures have also expanded from textile and light industries to electronics, machinery, metallurgical and building materials. Joint-venture hotels and other service facilities have also been built.

There are also more technology-intensive and export-oriented joint-venture enterprises, as imported technologies have helped improve the quality and enrich the variety of products.

A Sino-Japanese plant produced 400,000 pairs of leather gloves in the first five months of its production. They were sold for 600,000 U.S. dollars on the international market.

Another joint-venture enterprise in Nantong exported over three million pairs of work shoes since it began production in 1983, earning a total of over five million U.S. dollars. The enterprise is expected to earn a net profit of 2.8 million U.S. dollars from its exports annually.

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CSO: 4020/244

FOREIGN TRADE AND INVESTMENT

PRC ATTEMPTS TO HALT EXPORT OF PARALLEL GOODS

HK070401 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English  
7 Feb 86 p 1

[Article by Paul Sham]

[Text] China is to give new subsidies to some of its centrally-controlled export companies as part of its move to curb the outflow of parallel goods, according to China trade sources.

The latest measure, following the extension of the export license system and a clampdown on foreign exchange black markets, is also aimed at boosting China's foreign exchange earnings.

Sources said it should help to remove the danger of firms incurring losses as a result of rising production costs at home and falling selling prices overseas.

The exporting companies will be able to sell their products at prices more responsive to the market, they said.

And if the measure enables the firms to regain market share lost to parallel goods, China should increase its foreign exchange income.

Profits from sales of parallel goods usually remain at the regional level, while a large proportion of those earned by official import and export companies are transferred to the central authorities.

Hong Kong traders learned of the latest measure at a recent meeting with officials of the China National Cereals, Oils and Foodstuffs Import and Export Corp, Gjangdong branch, to discuss ways of improving trade arrangements.

Under a practice similar to that existing before China's open-door policies were introduced, firms will be given specific export targets and official prices will be set.

Sources said China traders have been told to sell their current inventories, regardless of the original cost, and have been promised better prices by next month.

The new arrangement will be extended to other lines of product which are suffering from the trade in parallel goods, they added, although the exact scale is unclear.

Despite various measures to curb the outflow of parallel goods, products such as canned food and herbal medicine are still flooding into Hong Kong.

For the past two years, most of the business of China's import and export companies has been undercut by regional concerns or individual enterprises.

Under no strict scrutiny of the Ministry of Foreign Relations and Trade, these firms can offer prices more than 20 percent lower than the official import/export firms.

A flourishing foreign exchange black market in China has also kept down the price of parallel goods since unofficial agencies are willing to accept lower prices as long as they are paid in foreign currencies.

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FOREIGN TRADE AND INVESTMENT

FUJIAN GOVERNOR ADDRESSES CORPORATION BOARD

OW180855 Fuzhou FUJIAN RIBAO in Chinese 6 Feb 86 p 1

[Excerpts] "In the new year, Huaifu Corporation must make a still better showing and play its important pillar role in conducting multichannel, multifunctional economic activities with foreign countries according to the principle of 'development, importation, association, and service,'" the Governor Hu Ping stressed at a board meeting of Huaifu Corporation yesterday afternoon.

Last year, Huaifu Corporation absorbed \$11 million of foreign and overseas Chinese capital; signed contracts for running 17 joint venture enterprises with credit investments; imported 67 kinds of technologies and equipment to transform existing enterprises; and earned over \$8 million in foreign exchange, thus making a valuable contribution to our province's economic relations with foreign countries.

Comrade Hu Ping affirmed the achievement made by Huaifu Corporation. Speaking on the corporation's tasks in the new year, Comrade Hu Ping emphasized that Huaifu Corporation must not be content with its present condition. It should continuously open up new operational fields, areas, and channels, and develop new businesses and new flexible methods of doing business.

Governor Hu Ping also said that in its economic relations with the outside world, Fujian must pay attention to the following points: First, primary facilities must be built and sea transportation opened up; second, while ensuring adequate grain output, the agricultural structure must be readjusted well, fine seeds introduced, processing intensified, foreign exchange-earning agriculture developed, and rural enterprises expanded; third, in industry, emphasis must be placed on transforming existing enterprises, developing new products with imported technology, and assisting remote poor areas in developing industries; fourth, great efforts must be made to earn foreign exchange, establish export commodity bases, and improve the methods of distributing foreign exchange; and fifth, efforts must be stepped up to train qualified personnel for conducting economic relations with the outside world, in particular, such "software-type" personnel as manager, administrators, legal experts, and accountants.

FOREIGN TRADE AND INVESTMENT

SHANXI PROVINCE SETS EXPORT RECORD IN 1985

OW230803 Beijing XINHUA in English 0648 GMT 23 Feb 86

[Text] Taiyuan, 23 Feb (XINHUA)--North China's Shanxi Province chalked up a record in exporting industrial and agricultural products in 1985, a provincial foreign trade official disclosed here today.

He said the province exported 226.8 million U.S. dollars worth of goods last year. The goods purchased for export accounted for 2.2 percent of the province's total industrial and agricultural output value as against only 1.8 percent in the preceding year.

Shanxi is one of China's major coal producers. Last year, it exported 3,400,000 tons of coal or about half of China's total coal exports to a dozen countries and regions including Japan, Britain, France and Thailand.

At the same time, much progress has been made in importing foreign investment and technology. The province imported 80 items of technology and cooperative schemes, involving 55.38 million U.S. dollars.

The province exports to 48 countries and regions in the five continents and has established cooperative relations with 19 firms from seven countries.

The provincial foreign trade official said that preparations are being made to set up a customs house in Taiyuan to meet the growing needs of the province's foreign trade.

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CSO: 4020/244

## FOREIGN TRADE AND INVESTMENT

### SHANDONG REPORTS PROGRESS IN FOREIGN COOPERATION

SK200532 Jinan Shandong Provincial Service in Mandarin 2300 GMT 19 Feb 86

[Text] After breaking from the long-standing closed economic situation, our province has achieved encouraging progress in economic and technological cooperation with foreign countries. Since the 3d Plenum of the 11th CPC Central Committee, party and government leaders and economic departments throughout the province have become active and brave in making explorations and progress, and have accelerated the pace of foreign economic and technological ties and cooperation through implementing the party's policy of opening to the outside world and enlivening the domestic economy. Measures for the cooperation have developed from processing with materials provided by foreign firms and compensation trade to the establishment of China-foreign joint ventures and cooperative enterprises, and the scope has extended from light industrial and textile trades to industry, agriculture, commerce, communications and transportation, and aquaculture.

To date, our province has established economic and trade ties with more than 140 countries and regions of five continents of the world. Through the economic and technological cooperation, our province has expanded its foreign fund utilization and technology imports to a considerable scale. From 1979 to the end of 1985, in addition to the 11 key projects built in our province with foreign funds under the state unified plan, our province made arrangements for the construction of some 580 projects, using more than \$700 million in foreign funds. Agreements have been signed for 417 of these projects, for which \$369 million in foreign funds was used.

Since 1984 when the State Council approved the opening of Qingdao and Yzntai to foreign countries, our province has greatly speeded up its pace of foreign funds utilization, technology imports, and renovation of old enterprises, and has markedly increased the channels of foreign ties, thus further expanding the fields of cooperation. During the past year or more, Qingdao and Yantai cities have concluded \$315 million in transactions on foreign fund utilization, and have technically transformed 300 enterprises with the funds and technologies brought in from abroad.

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CSO: 4006/48

FOREIGN TRADE AND INVESTMENT

LIAONING REPORTS RESULTS FROM FOREIGN TECHNOLOGY IMPORTS

SK251004 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT  
24 Jan 86

[Text] Our province achieved new breakthroughs in foreign capital utilization and technology imports. Thus far our province has established economic and technological cooperative and trade ties with more than 130 countries and regions. In the past 2 years the total transactions in contracts signed with foreign countries totaled \$1.3 billion, 4.6 times the total of the previous 5 years. Last year alone our province signed 1,190 contracts with foreign countries, with the transactions totaling \$860 million. Of the contracts, 155 were contracts on direct foreign capital utilization, totaling \$380 million. The number of productive and technology-intensive projects increased.

A total of 66.4 percent of the transactions in contracts on foreign capital utilization and technology imports were signed by the metallurgical, machinery, electronics, postal and telecommunications, chemical, building materials, and light and textile industries, which were designated by the state to be transformed on a priority basis. Thanks to imported advanced technologies and equipment, enterprises increased their capability to earn foreign exchange through exports. The total value of the commodities purchased for export last year showed an increase of 800 million yuan over 1980. Of the increase, 80 percent should be attributed to imported technologies and equipment.

During the Sixth 5-Year Plan period 79 percent of the technology import projects of the textile enterprises throughout the province were carried out for the purpose of producing export commodities. They earned \$65 million in foreign exchange every year. Since 1979, payment production enterprises have increased their competitive edge on the international market through technology imports. The total volume of their exported garments grew from \$12 million in 1978 to \$80 million in 1984. This was an increase from 3.8 to 10 percent of the total volume of exported garments in the country.

/12640  
CSO: 4006/748

FOREIGN TRADE AND INVESTMENT

BRIEFS

ZHEJIANG MARINE PRODUCTS EXPORTS--Zhejiang earned more than \$16 million from marine products exports in 1985, exceeding the plan by 1.63 times. The province exported 57 kinds of marine products to 11 countries and regions last year. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 5 Feb 86 OW] /12640

ZHEJIANG IMPORT EXPORT FREIGHT--Total volume of Zhejiang's import and export freight in 1985 reached 3.55 million metric tons, an all-time record, fulfilling Zhejiang's 1985 import-export plan. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 5 Feb OW] /12640

JIANGXI EXPORTS TUNGSTEN--Tungsten products manufacturing enterprises in Jiangxi Province have raised their economic efficiency by importing advanced technology and carrying out technical transformation. In 1985 Jiangxi earned a foreign exchange of \$18 million by exporting heavy ammonium tungstate alone. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 15 Feb 86 OW] /12640

SHANGHAI TO INSPECT COMMODITIES--The Shanghai Municipal Government recently approved and transmitted implementation measures for inspecting import and export commodities. The implementation measures stipulate: Enterprises in Shanghai that produce or process export commodities; those that engage in foreign trade by importing and exporting commodities; those that order, take delivery of, and transport import commodities, and their agencies; import commodity warehousing and transporting departments; and other related departments must subject their inspection and quality-control work to the Shanghai Municipal Commodity Inspection Bureau's supervision and control. The implementation measures also contain specific regulations regarding inspection of the quality of processing and transport of export commodities. [Text] [Shanghai City Service in Mandarin 0100 GMT 18 Feb 86] /12640

SHAANXI USING INVESTMENT, TECHNOLOGY--In the past 2 years, the province has made breakthrough developments in using foreign investment; importing technology providing external aid, achieving international economic cooperation and so on. This symbolizes that the province has changed its economy from the closed-door type to an open door. Since 1984 when the

province held the international economic and technological cooperation talks, the province has expedited its pace of opening to the outside. The external economic activities of various localities and departments became more vigorous than ever before. According to the provincial department for foreign economic relations and trade statistics, by the end of last year, the province approved 81 items of involving projects using foreign investment, totalling over \$513 million. There were 59 approved Sino-foreign joint ventures and cooperative enterprises, of which 35 have registered themselves with the authorities and have been issued business licences. Since 1979, the province has accomplished 427 items of importing technology, of which 86 percent were done in 1984 and 1985. The imported technology and equipment is used mainly by such trades and machine-building, electronic instruments, and the textile and food industries. Those that have been put into operation have achieved remarkable economic results. [Text]  
[Xian Shaanxi Provincial Service in Mandarin 2300 GMT 21 Feb 86] /12640

FOREIGN TRADE SYMPOSIUM--Shanghai, 13 Feb (XINHUA)--A Shanghai foreign trade symposium will open 1 March, an official of the city's foreign trade company said here today. The symposium, an annual event since 1983, is sponsored by the Shanghai Foreign Trade Company, which has invited businessmen from around the world. The official said that 30-odd Shanghai manufacturers of food, local products, textiles, garments, machinery and electronic products have asked to take part. Discussions will be held during the symposium on imports and exports, compensation trade, cooperative production, joint ventures and technical transfers. [Text] [Beijing XINHUA in English 1441 GMT 13 Feb 86] /8309

CARPET EXPORT PLANS--Beijing, 21 Feb (XINHUA)--China plans to export carpets worth 1.5 billion dollars during the 1986-1990 period, today's ECONOMIC DAILY reported. The country now has the capacity of exporting carpets worth more than 200 million U.S. dollars a year, making it the third largest carpet exporter in the world, the paper said. About half of the carpets were sold to the United States last year and the rest to European and Middle Eastern countries, Japan, Hong Kong and Macao. China has more than 300,000 people engaged in producing carpets made of silk, wool and chemical fibers. To coordinate sales to other countries and regions, the government has established the China Carpet Import and Export Association, which began licensing exports 1 February. A week-long carpet export mini-fair will begin here 27 February, the paper said. [Text] [Beijing XINHUA in English 1054 GMT 21 Feb 86] /8309

EXPORT MINIFAIRS--Beijing, 20 Feb (XINHUA)--China has organized 20 export minifairs to be held in 1986, according to the Ministry of Foreign Economic Relations and Trade. Ministry officials said today that in addition to the two regular sessions of the Guangzhou Export Commodities Fair in Spring and Autumn, the special minifairs will be held in Beijing, Changchun, Dalian, Fuzhou, Guangzhou, Nanjing, Shanghai, Qingdao, Shenzhen and Wuhan. Commodities on sale will include textiles, silks, animal by-products and arts and crafts. [Text] [Beijing XINHUA in English 0828 GMT 20 Feb 86] /8309



20 March 1986

ASIAN-PACIFIC IMPORT SYMPOSIUM--Guangzhou, 26 Feb (XINHUA)--The second Asian-Pacific Import Administration Symposium will begin 3 March in Guangzhou, capital of Guangdong Province, organizers said today. The 17-day symposium, involving participants from 11 countries including Bangladesh, Burma and Malaysia, will provide advanced training for import administrators, said Saara Kehusmaa-Pekonen, director of Finland's program for development cooperation, one of the symposium's sponsors. Other sponsors of the symposium are the U.N. Economic and Social Commission for Asia and the Pacific, the International Trade Center, and the Chinese Ministry of Foreign Economic Relations and Trade. During the symposium, Kehusmaa-Pekonen said, scholars will lecture on their experiences in trade, and participants will visit the Shenzhen Special Economic Zone, near Hong Kong on the Southeast China coast. The first Asian-Pacific Import Administration Symposium was held last April in Beijing. [Text] [Beijing XINHUA in English 1503 GMT 26 Feb 86] /8309

SHAANXI FOREIGN INVESTMENT INCREASES--Xi'an, 27 Feb (XINHUA)--Shaanxi Province in northwest China absorbed a total of 403 million U.S. dollars last year, said a provincial official here today. In the same year, the provincial authorities approved 50 Sino-foreign joint ventures and cooperative enterprises, bringing the total number to 59. Foreign investment used since 1980 came to 435 million U.S. dollars, the official said. The province imported 427 items of technology in the past few years worth 265 million U.S. dollars to upgrade old factories. About 74 percent of the purchases were made in 1984 and 1985. An international seminar on economic cooperation held here at the [words indistinct] of 1984 helped local officials broaden their horizon. The official disclosed the province plans to speed the pace of use of foreign investment and technological imports in the next five years especially in the energy, transport, raw materials and tourism industries. [Text] [Beijing XINHUA in English 1450 GMT 27 Feb 86] /8309

CSO: 4020/244

## SPECIAL ECONOMIC ZONES

### ARBITRATION OF ECONOMIC DISPUTES WITH FOREIGNERS DISCUSSED

Guangzhou GUANGZHOU YANJIU [GUANGZHOU STUDIES] in Chinese No 3, May-Jun 85  
pp 53-56

[Article by Wen Guangjun [3306 0342 0971], Faculty of Law, Zhongshan University: "The Problem of Arbitrating Economic Disputes Involving Foreigners in the Special Economic Zones"]

[Excerpt] I. The Necessity of Establishing Special Arbitration Machinery in the Special Economic Zones

Since instituting its open door policy, from 1980 on, China has established four special economic zones [SEZ's], namely at Shenzhen, Zhuhai, and Shantou in Guangdong Province and at Xiamen in Fujian Province. Since their establishment, the SEZ's have attracted a large number of foreign firms wishing to invest in new factories, and have been import points for advanced technologies, equipment and scientific methods of business management. In the case of Shenzhen, 1,546 contracts of various kinds were signed from 1979 to September 1983 between Chinese enterprises and other economic organizations and foreign firms, agreeing to invest a total of HK\$12.5 billion. As regards effectiveness of these contracts, about 65 percent have done well, about 25 percent have performed fairly well, but not free from certain disputes, and about 10 percent performed badly, occasioning fairly serious disputes. It shows that there have indeed been many disputes in the course of fulfilling economic contracts with foreigners in this SEZ, as also occurred in the other SEZ's. If these disputes are not promptly resolved, they are bound to obstruct the economic development of the SEZ's.

During the period from the establishment of the SEZ's till the end of 1983, no arbitration organization existed for the settlement of economic disputes with foreigners, and the only way to settle disputes that arose during the fulfillment of the contracts was to have the parties negotiate a solution or submit the dispute to certain organizations for mediation. Many contracts explicitly stipulated that disputes were to be submitted to the arbitration organization of the China Council for the Promotion of International Trade [CCPIT]; but this is located in Beijing, far away and costly in time and money to be reached, so that the parties, especially foreign firms, hope that special arbitration organizations can be set up within the SEZ's to achieve prompt resolution of disputes that may arise between them.

## II. What Form of Arbitration Organization Should Be Established in the SEZ?

Two proposals have been made in answer to this question: One is based on the idea that the Foreign Economic and Trade Arbitration Commission [FETAC] of the CCPIT has accumulated abundant experiences in arbitration and could establish its branch organizations in the SEZ's (as a first step, set up offices). In April 1983, it did indeed establish an office in Shenzhen (on a trial basis), especially charged with handling economic disputes with foreigners. Or, a foreign trade arbitration committee could be set up by itself under the CCPIT on an equal basis with the Arbitration Committee for Maritime Affairs, perhaps to be called "Arbitration Commission for Economic Disputes with Foreigners in the SEZ's." This organization could then set up branches in all SEZ's. The advantage of this type of an arrangement is that it would clearly define a division of labor between the three permanent arbitration committees of the CCPIT, each attending to its own functions and concentrating on its own affairs.

Another proposal is based on the idea that the SEZ's require the establishment of an independent permanent arbitration organization (not under the CCPIT), and that regulations be drawn up governing the arbitration procedure, which must be particularly suited to the conditions of the SEZ's, for the more effective and prompt resolution of economic conflicts with foreigners in the SEZ's.

In my opinion, the establishment of an arbitration organization for the SEZ's must comprehensively take into consideration all the peculiarities of economic contracts with foreigners as well as the needs of the future development of the SEZ's. The term "SEZ economic contract with a foreign party" refers to an agreement for the establishment of mutual rights and obligations, according to Chinese law, between a Chinese enterprise or other economic organization in an SEZ on the one hand and a foreign enterprise or other economic organization or individual on the other hand for the development of economic or technological cooperation in an SEZ. These contracts comprise economic agreements to be fulfilled within an SEZ and concluded by foreign-financed enterprises engaged in business and registered in the SEZ, by joint ventures using Chinese and foreign investment, by Chinese-foreign cooperative enterprises (altogether called, for short, "SEZ enterprises"), or between an SEZ enterprise and a foreign enterprise, other economic organization or individual, or between an SEZ enterprise and a Chinese enterprise or other economic organization in the SEZ (see Article 2 of the "Shenzhen Regulations Governing Economic Contracts with Foreigners"). The investments by foreign firms in the SEZ can take the form of enterprises with joint Chinese-foreign investment or with cooperative management, wholly foreign-owned enterprises, compensation trade as well as enterprises for the assembly or processing of imported parts or materials. The economic character of these enterprises is mostly one of state capitalism. The SEZ economic contract with a foreign party is, therefore, as to its legal relations, one that involves foreign elements; as to the character of the contract one of an investment character; and as to its content one of a broad economic spectrum. These are the main special traits of SEZ economic contracts involving foreigners.

China's foreign trade contracts in general refer mainly to agreements signed by Chinese corporations, enterprises or other economic organizations with foreign corporations, enterprises or other economic organizations, mainly for the purpose of buying or selling merchandise, machinery, etc., or for other trade purposes. They have one thing in common with SEZ economic contracts with foreigners, namely that they both have foreign elements. However, these contracts are quite different from one another with respect to character, contents, categories and functions. The two types of contract are also somewhat different with respect to the specific types of foreign firms that are parties to these contracts. In the SEZ's, apart from one group of foreign merchants, most are compatriots from Hong Kong and Macao and overseas Chinese (including their companies and enterprises). The enterprises in the SEZ, jointly or wholly financed by foreign investment and registered in the SEZ, are juristic persons under Chinese law and are under the jurisdiction of Chinese law. However, the foreign parties to the other foreign economic trade contracts are generally foreign juristic persons, as a result of which any contractual conflict would involve juristic persons of two or more countries, each under the jurisdiction of the laws of a different country.

SEZ economic contracts with foreigners retain the above-stated particular traits, but at the same time, as the number of foreign firms increase the intent to invest, set up factories in the SEZ, and import advanced technologies and equipment into the SEZ, there will be a corresponding increase in the disputes from these contracts. It is therefore even more imperative that we establish in the SEZ's their own special arbitration organizations and draw up regulations governing arbitration procedures. The same situation exists in the other coastal ports that will be additionally opened up. In the opposite case, if economic disputes with foreigners occurring in the SEZ's and in the additional coastal port cities are all to be handled by the permanent arbitration organization of the CCPIT, that arbitration organization will be burdened with an excessively heavy load of cases. The work of an SEZ's own permanent arbitration organization could nevertheless be placed under the guidance of the FETAC of the CCPIT.

Should the permanent arbitration organization of the SEZ's be of an official or of a civilian character? According to the current international practice, all disputes of a commercial character are generally arbitrated by civilian arbitration organizations. The permanent arbitration organization of the CCPIT is of a civilian nature. The permanent arbitration organizations of the SEZ's should therefore also be civilian. Would it be preferable to have the SEZ arbitration organization attached to a certain social organization, or not attached to any social organization? In the international field, civilian arbitration organizations are generally attached to chambers of commerce or to foreign trade associations, such as the Court of Arbitration at the International Chamber of Commerce, the Arbitration Institute in Stockholm, Sweden, the arbitration court of the London Chamber of Commerce, the arbitration commission of the Romanian Chamber of Commerce, the arbitration court of the Polish foreign trade association, etc. However, there are also countries where it is an independent organization, not attached to any social organization, such as the International Commercial Arbitration Association in Japan and the Commercial Arbitration Association in the United States. According to the conditions of China's SEZ's, this writer believes it would be

most appropriate to have the Chinese SEZ arbitration organizations attached to the federations of industry and commerce in the SEZ's.

Can the SEZ's immediately set up their permanent arbitration organizations? The SEZ's are in their initial stage and lack legal knowledge; they particularly lack experienced arbitrators. On the other hand, establishing a new arbitration organization and drawing up regulations governing arbitration procedures must undergo a certain legislative process, which again requires a certain period of time. In the absence of these objective preconditions, any hasty establishment of this type of organization may spell ruin for the whole enterprise and harm the prestige of the arbitration organization. The only measures that can be adopted now are to place the FETAC of the CCPIT concurrently in charge of this work and have them open their business organizations in the SEZ's, thus in charge of resolving economic disputes with foreigners at the SEZ's. In this way the urgent needs of the SEZ's would be satisfied, while SEZ arbitration personnel would be trained, preparing conditions for the future establishment of the SEZ arbitration organization.

### III. Two Questions To Be Solved by Formulating Regulations Governing SEZ Arbitration Procedures

#### 1. Selecting and Appointing Arbitrators

Hearing cases of disputes must be the task of an ad hoc arbitration tribunal constituted by the arbitration organization. According to current international procedure, the arbitration tribunal may be composed of 3, 5, or 7 arbitrators (one of them to be presiding arbitrator), who hear the cases as a collegiate group, but cases could also be heard and arbitrated by one single arbitrator.

As to the methods of selecting or designating arbitrators, there are internationally three methods, the arbitration committee system, the arbitrator register system, and the arbitrator appointment system. China uses the arbitrator committee system. FETAC has 15 to 21 members, who are selected and appointed from among persons having abundant knowledge and experience in foreign trade, commerce, industry, agriculture, transportation, insurance, and legal or other relevant professions. The members are appointed for 1 year, and the committee selects one chairman and two deputy chairmen.

In preparation for the arbitration hearing, each party selects one arbitrator from among the members of the arbitration committee, and the arbitrators select one person from among the members of the arbitration committee as presiding arbitrator, thus constituting the arbitration tribunal to hear their case. The parties may also jointly select a sole arbitrator to arbitrate singly (see Articles 9 through 12 of the Provisional Regulations Governing Arbitration Procedure of the FETAC of the CCPIT). The arbitration committee system is also used by the arbitration committee of the Romanian Chamber of Commerce.

Some countries use the arbitrator register system, such as Japan in its International Commercial Arbitration Association. This association has compiled a register of about 250 arbitrators, who are persons of different



nationalities and different trades and professions. The parties to the dispute select their arbitrators from this register by a method prescribed by the arbitration regulations. The arbitrator register system is also employed by the arbitration association of the United States.

Some countries use the arbitrator appointment system. For instance, the commercial arbitration law of Italy prescribes that the parties may select and appoint any Italian citizen to serve as arbitrator. The commercial arbitration law of the FRG places no limitations on the nationality of the arbitrators.

The arbitrator selection system employed by the FETAC of the CCPIT has in practice proven to be a very good method, because these arbitrators are all persons selected from various trades and professions with specialized knowledge, legal knowledge and experience. They have a strong sense of responsibility and will uphold the principle of fairness in resolving disputes. Whether the arbitrator selection method of the CCPIT is suitable for the SEZ's is a matter that could still be discussed.

Most of the foreign businessmen coming to the SEZ's are compatriots from Hong Kong and Macao and overseas Chinese, many of whom have specialized knowledge, are patriotic and attached to their native places. If some of them were invited to serve as arbitrators, broadening the scope of persons they could select as arbitrators, it could increase the influence and attractiveness of the arbitration organization for them, and be helpful in resolving disputes with them. Specific methods could include appropriately inviting well-known persons and specialists from Hong Kong or Macao or overseas Chinese who have invested in the SEZ's and started business to serve as arbitrators (their number to make up one-third of all arbitrators). However, the presiding arbitrator of the arbitration tribunal or the person acting as single arbitrator must be an arbitrator from China proper. This method would provide the foreign merchants with greater flexibility in the choice of arbitrators and would also be a sign of greater fairness in the Chinese arbitration organization.

## 2. Should the Hearing of Arbitration Cases Be Public?

As to the form of hearing arbitration cases, most countries now follow the principle of holding these hearing not in open sessions, but designate the categories of people who may be present at the hearings, i.e., in addition to the parties or their representatives, their attorneys, witnesses and other persons having a direct interest in the dispute. The arbitration regulations of some countries explicitly state the principle that "hearings are not public." China and certain other countries follow the principle of "hearings to be held in open session." Article 21 of the Provisional Regulations Governing the Arbitration Procedure of the FETAC prescribes: "The arbitration tribunal must conduct its hearings in public; at the request of both or of one party, the arbitration tribunal may decide to hold the hearing in closed sessions."

Generally speaking, there are more advantages in hearing arbitration cases in open rather than in closed session, because in public hearings it is possible



to exercise a modicum of control over whether the arbitration tribunal strictly observes the regulations for arbitration procedure; it may also be possible to influence the tribunal to greater fairness in its arbitration award. However, it does not mean that this method is suitable for all disputes. It is important to decide this question according to the nature of the dispute, its subject, and the will of the parties. SEZ economic contracts with foreigners are of an investment nature, and there is competition between the investors. None of them wants to reveal the internal details of the enterprises in which they have invested. This is particularly so because most of the foreigners involved are compatriots from Hong Kong and Macao and overseas Chinese who have enterprises or property in Hong Kong, Macao or foreign countries. If they lose their case in the arbitration, they may be concerned about the impact on their reputation. Generally, they would therefore prefer not to have an open hearing of their dispute. Another important matter for us to consider is that the subject of economic disputes with foreigners frequently involves Chinese economic and technical data or information which must not be made public. From the viewpoint of the arbitration tribunal, hearings held in closed session would offer the opportunity to effect a mediation between the two parties during the arbitration procedure, which would contribute to maintaining friendly cooperation between the two parties. It would therefore be preferable to have arbitration hearings of SEZ commercial disputes with foreigners in closed session.

#### IV. The Effect and Enforcement of SEZ Arbitration Awards

Is the award of the arbitration tribunal final? If a party refuses to accept the decision, can that party file an appeal for revision with a law court or any other agency? The arbitration regulations of most countries now explicitly prescribe that the arbitration award is final and that no appeal is possible. Article 29 of the Mediation and Arbitration Rules of the International Chamber of Commerce prescribes: "Arbitration awards must be final. Parties who have submitted their dispute to arbitration by the International Chamber of Commerce must promptly fulfill its decisions and waive the right of an appeal in any form whatsoever." Article 31 of the CCPIIT's Provisional Regulations Governing Arbitration Procedure of the FETAC explicitly prescribes: "The award of the arbitration committee is a final decision; both parties may not bring an appeal for revision before a court of law or any other agency." There are, however, other countries, such as France, whose law of civil procedure prescribes that any one of the parties to an arbitration may file an appeal against the arbitration award or request a renewed hearing.

The arbitration award is final, the decision is binding on both parties, and both parties must implement it. However, if one party does not carry out the decision, to which authority is the arbitration award to be submitted for enforcement? The regulation of this question is not always the same in different countries. Some countries (such as France) prescribe that on the request of one party, the law court must issue an order of enforcement. Some countries (such as India) prescribe that awards must be sent to the law court, which will proclaim its enforcement in the form of an order. Article 32 of the Provisional Regulations Governing Arbitration Procedure of the FETAC of

the CCPIT prescribes: "The award of the arbitration committee must be executed by the parties themselves within the time set in the award. If fulfillment is not effected within the time limit, any one of the parties may petition the Chinese people's court for enforcement." There is also the following provision in Article 195 of the Civil Procedure Law (draft): "If one party fails to carry out the award of a Chinese organization for the arbitration of cases involving foreigners, the other party may petition, according to the provisions of this law, the intermediate people's court located at the place of the arbitration organization or at the place where the property is located, for the enforcement of the award."

The award by an SEZ arbitration organization frequently involves merchants who reside abroad or in Hong Kong or Macao and their property at those places. This raises the question whether the Chinese arbitration award will be recognized and enforced in a foreign country or in Hong Kong or Macao. To solve this problem of mutual recognition and enforcement of arbitration awards, many countries have signed bilateral or multilateral treaties and agreements on the international plane, and also provide in their domestic legislation for the recognition and enforcement of foreign arbitration awards. In 1958 a Convention on the Recognition and Enforcement of Foreign Arbitration Awards was signed in New York under the auspices of the relevant agency of the United Nations (up to 1980, over 50 countries and territories had joined the convention, but not China so far). The said convention prescribes: "All signatory nations shall mutually recognize the binding force of arbitration awards and shall enforce them according to the procedure in force at the place of recognition and enforcement." However, the convention also lists certain conditions under which recognition and enforcement may be refused, which shows that all nations had certain reservations about the recognition and enforcement of foreign arbitration awards.

To resolve the problem of recognition and enforcement of SEZ arbitration awards in other countries or in Hong Kong and Macao, and in view of the fact that China has not yet joined the United Nations Convention on the Recognition and Enforcement of Foreign Arbitration Awards, China should as soon as possible, through diplomatic or other ways, negotiate and sign bilateral or multilateral agreements with the authorities of relevant countries and territories and bring about a solution of the problem.

#### V. Methods of Charging SEZ Arbitration Expenses and the Question of Standards for Arbitration Fees

Arbitration expenses generally include: arbitration fees, i.e. the basic arbitration fees (this refers to expenses collected to refund the arbitration tribunal the general expenses incurred when hearing the case), special arbitration expenses (this refers to special expenses incurred by the arbitration tribunal when hearing the case, such as appraisal fees, translation fees and similar fees), and expenses incurred by the parties (such as fees for legal representatives and assistants, travelling expenses for witnesses, travelling expenses of the parties to attend the arbitration proceedings, etc.). On the method of charging arbitration expenses, some international organizations have made clear and definite provisions. The arbitration regulations of the UN Commission on International Trade Law

prescribe: "Arbitration expenses must in general be borne by the losing party. However, the arbitration tribunal may determine, having regard to the circumstances of the case, that it would be more rational to divide the expenses between the two parties." "As to expenses for legal representatives and assistants, the tribunal may, after considering the particular circumstances of the case, freely decide which party should bear these expenses. If it appears more rational, the tribunal may decide that the expenses should be divided between the parties." However, the commercial arbitration rules of many countries have no provisions in this respect and leave it to the arbitration tribunal to decide the question in its arbitration award according to the specific circumstances of the case. The arbitration organization of the CCPIIT only collects an arbitration fee (the arbitration organizations of some countries also collect case registration fees, case cancellation fees, etc.), and prescribes that this fee may be fully charged to the losing party or proportionately distributed between the parties, as to be determined by the arbitration tribunal in its decision according to the circumstances of the case. The arbitration tribunal may also decide that the losing party should compensate the winning party for all expenses incurred in connection with the proceedings, but such compensation shall not exceed 5 percent of the amount awarded to the winning party. This CCPIIT rule is very reasonable, as it gives consideration on the one hand to the responsibility to be borne by the party defeated in the arbitration, but on the other hand also to the specific circumstances and the parties involved. The SEZ's should also adopt this method of charging arbitration expenses.

As to standards for arbitration fees, rules are not very uniform in the various countries. The arbitration fee scales of the U.S. Arbitration Association and the Japanese International Commercial Arbitration Association prescribe different proportionate fees depending on the amounts in dispute, the higher the progressive increase in the amount in dispute, the progressively lower the arbitration fee. The U. S. scale, in particular is: (1) In cases with monetary value, each party has to pay a basic fee; for a value of \$10,000 or less, the fee is 1.5 percent, minimum \$25. For any additional value between \$10,000 to \$25,000, an additional 1 percent, for any additional value between \$25,000 to \$100,000, an additional 0.5 percent, for additional value of \$100,000 to \$200,000, an additional 0.25 percent, and any amount over \$200,000 an additional 0.1 percent. (2) For cases without monetary values the fee is \$100. The FETAC of the CCPIIT has prescribed only a rule of principle, namely that the maximal arbitration fee must not exceed 1 percent of the value in dispute.

We have to consider that the investments by foreign merchants in the SEZ's are of a great variety and involve large amounts, with some joint ventures and cooperative enterprises as high as HK\$100 to 200 million. As these are the conditions that prevail in the SEZ's, the arbitration organizations of the SEZ's must fix specific tariffs as the definite basis for the collection of arbitration fees from the parties, and for the advance information of the parties on the scale of fees.

On what principle should the SEZ scale of arbitration fees be fixed? The scale should be fixed on the principle that the fees should not exceed 1 percent of the value in dispute, as prescribed by the FETAC of the CCPIIT. The scale should also take note of the progressive reductions as values increase, in force at the arbitration organizations of the United States, Japan and other countries, while also integrating the special conditions of the SEZ's in determining the specific scale of arbitration fees for the SEZ's.

## SPECIAL ECONOMIC ZONES

### GUANGDONG MEETING REVIEWS SPECIAL ECONOMIC ZONE WORK

HK252254 Beijing RENMIN RIBAO in Chinese 21 Feb 86 p 5

[Article by Mu Ye [2606 0673]: "Roundup of Guangdong's Second Symposium on Special Economic Zones"]

[Text] The second Guangdong provincial symposium on the special economic zones was held in Zhuhai City in mid-December 1985. Representatives at the meeting pointed out that in the past few years, the achievements in construction of the three special economic zones of the province were remarkable. They can be summarized in the following four aspects:

- 1) A relatively attractive investment climate has been created; 2) Vigorous progress has been made in industrial and agricultural production and the tertiary industry and their output value was risen by a large margin for several years, 3) There has been rapid growth in revenues and a large amount of foreign exchange has been earned for the state; and 4) There has been a steep rise in the people's living standards.

The role of the special economic zones can be also be generalized in the following four aspects: 1) The absorptive role of the four "windows" and the radiating role of the two "sides of a fan" have been tentaviley put into play by introducing foreign investment funds and technology from abroad and stimulating the four modernizations in the special economic zones and other parts of the country; 2) Initial experiences in implementing the opening up policy have been gained for the coastal open areas; 3) Successful experiences have been accumulated for the various aspects or reform in the economic structure of the interior, including reform of the planning system, the capital construction management system, the circulation system, the monetary system, the price syste, the labor and wage system and the personnel system; and 4) A number of people in economic construction have been tempered and trained, especially those who engage in economic and enterprise management for the development of the commodity economy. In addition, a large number of skilled workers have also grown up in the course of economic construction.

Of course, there are still some problems in the economic construction of the special economic zones, such as overextended capital construction and the lavish scale of nonproductive capital construction.

During the meeting, representatives specially examined from the theoretical points of view some questions concerning construction of the special economic zones.

On the question of whether the orientation of the economies of the special economic zones has deviated from the correct path, there was a divergence of views at the meeting. Some representatives said: The present economic pattern of the special economic zones is import-oriented and these zones have failed to "give first place to three aspects" (giving first place to the introduction of foreign capital from abroad as the main source of investment funds, giving first place to industrial development in the structure of production, and giving first place to the export of manufactured goods). Therefore, there is still a question of orienting the economy from imports to exports. Some representatives even said that the key to whether the special economic zones will be able to develop in a sound way lies in reorienting their economy. However, quite a few representatives said it is inaccurate to say "reorienting" the economy because at the very beginning of building the special economic zones, the Party Central Committee and the State Council clearly defined the economy as being export-oriented. Generally speaking, the three special economic zones of our province are being built in this direction. At present, the thing is how the guiding ideology for building and export-oriented economy can be made clearer and how the guiding ideology can be carried out in practical work.

On the principle of "giving first place to industry" the whole structure of production of the special economic zones, representatives at the meeting had differences of opinion. Some representatives said that "industry must be regarded as a foundation only," while due attention must also be paid to the development of commerce and tourism and special attention must be given to the building of export-oriented commercial and trading institutions and to the development of export-oriented circulation channels. Meanwhile, effective control must be exercised over the development of import-oriented commercial, trading, and touring activities that are too large. Other representatives pointed out that the proper pattern for the development of the special economic zones should be focused on "foreign trade as a guideline." Efforts must be made to promote foreign trade and to reform the foreign trade system. Then, the development of foreign trade will bring along the development of other industries. Some representatives also said that we should not impose uniformity of patterns for the development of the structure of production in the special economic zones. According to the features and conditions of each special economic zone, we should develop what is strong and discard what is weak. While paying attention to the development of industry, we should readjust the structure of production at all times to meet world market demands, and we should also develop new industries and new products so as to go along with world trends.



On the question of developing the special economic zones by stages, representatives at the meeting held the consensus view that it was absolutely necessary to do so. It helps us to correctly assess the achievements and advantages and disadvantages in the economic construction of the special economic zones, but it also provides us with a correct guiding ideology in formulating the strategies for the development of these zones. Representatives also presented their views on how to define stages for the development of the special economic zones. Further discussions will be made on this issue.

At the meeting, there were different views on the question concerning the theoretical basis for carrying out reform of the economic structure in the special economic zones. Some representatives said: Like other parts of the country, the special economic zones are also developing a planned commodity economy. We must, therefore, establish an economic management system on this basis in the special economic zones. Comrades holding this point of view believed that we should strengthen control of macroeconomic activities in the special economic zones, while enlivening microeconomic activities. Then, how can we do a good job of macroeconomic control? First, the state should build its mechanisms for strengthening control of macroeconomic activities in the special economic zones, and second, the special economic zones themselves should also build their mechanisms for strengthening macroeconomic control. Some representatives did not agree with this point of view. They pointed out that the economies of the special economic zones are market economies under the guidance of state macroeconomic control and the state macroeconomic control over the special economic zones should be indirect in the main. The special economic zones should establish a market economy management which is different from that in the interior and which must attach importance to the regulatory role of the law of value. In discussions, some representatives suggested that the economies of the special economic zones be closely connected with the world market and attention be paid to the regulatory role of the world market.

Furthermore, representatives at the beginning of the meeting also put forward a number of proposals for the development of the special economic zones.

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## SPECIAL ECONOMIC ZONES

### GU MU PRAISES ECONOMIC ZONES' PROGRESS

OW151515 Beijing XINHUA in English 1442 GMT 15 Feb 86

[Text] Beijing, 15 Feb (XINHUA)--The Shenzhen Special Economic Zone in Guangdong Province, bordering Hong Kong, reported an industrial output value of 2.579 billion yuan (about 800 million U.S. dollars) in 1985, an increase of 53.5 percent over 1984, or up by 40 times the 1979 figure before the zonal construction started. State Councillor Gu Mu said at a working meeting held earlier this year that China's four special economic zones have reached the stage of building an export-oriented economy from the infra-structural construction stage after six years of hard work. In the case of Shenzhen, after six years' construction the zone now boasts more than 750 industrial enterprises, covering electronics, textil and light industries, building materials, petrochemicals, and machine-building and food industries. High-rise buildings have sprung up there, and industrial estates and commercial centers are dotted all over the zone.

Shenzhen is one of the four special economic zones China has started since 1980. The others are Zhuhai and Shantou in Guangdong Province and Xiamen in Fujian Province. They also have reported rapid growth in their industries and economies as a whole. For instance, the industrial output value in Zhuhai amounted to more than 530 million yuan in 1985, over five times the 1979 figure. The special economic zones are an important component of China's policy to attract overseas investment. China's senior leader Deng Xiaoping said that the zones are "windows for technology, management, knowledge and foreign policy, to better serve China's modernization programs."

According to statistics, the four zones have used 1.28 billion U.S. dollars of foreign capital in their development since 1980, accounting for about one fifth of the total foreign investment in China during the period.

The zones have imported a number of items of advanced technology and equipment with foreign capital, such as manufacturing technology for laser TV soft discs from the Netherlands, vacuum glass technology from Austria, technology for producing multi-layer circuit boards and Kodak sensitive materials from the United States, and technology for producing Sony video-recorders from Japan.

A recent survey in Shenzhen shows that more than 85 percent of the Sino-foreign joint ventures and the enterprises with sole foreign investment have an average profit rate of 15 percent.

In addition, the zones have vigorously carried out economic and technical cooperation with enterprises from hinterland areas. Shenzhen alone has signed over 440 cooperation agreements on industrial projects with 25 central departments and 27 provinces, municipalities and autonomous regions, involving about 500 million yuan.

Through such cooperation, the special economic zones have made up for shortage of natural resources, funds, technology and personnel. The hinterland enterprises have taken these zones as windows and got information on the world market, advanced technology and management experience.

Encouraging progress has been made in the zones' economies in the past few years. The four zones mainly processed materials supplied by foreign partners in the past. But now they have started turning out products themselves. And the proportion of export commodities has increased.

A case in point is Shenzhen, which can produce more than 800 varieties of products, with an output value making up about 90 percent of the total in the zone. The volume of direct-export commodities accounted for 43 percent of its total sales in 1985, as against only 33 percent in 1984. About 70 percent of the products of the Shekou Industrial Estate were for export in 1985. The Shantou Special Economic Zone sold 70 percent of its products on the world market, and the export rate of its farm produce and aquatic products came to more than 95 percent last year.

According to statistics, the four zones used 7.63 billion yuan in their capital construction during the 1980-85 period, and formulated dozens of economic laws and regulations, thus creating a better environment for investment. However, the energy, transportation and telecommunications facilities are still weak links in these zones.

While further improving the investment environment, the zones are now striving to use more foreign funds, import advanced technology and equipment, and improve management, so as to produce more marketable goods for the world market.

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SPECIAL ECONOMIC ZONES

JOINT VENTURE TO HELP ZHUHAI EXPAND PORT, OIL SUPPLY

HK070345 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 7 Feb 86 [no page given]

[Text] Zhuhai is gearing up to expand its special economic zone port and oil supply base under a joint venture deal managed by Oil (Asia), which is part of the Straits Steamship group.

Zhuhai's port is being managed by Oil (Asia) under a plan developed by Gladhover of Hong Kong as the operating company in a three-partner joint venture with the Nanhai Oil and Zhuhai Special Economic Zone Development and Services Co and China Nanhai Oil Joint Service Corp.

Both Oil Asia and Gladhover are part of the Keppel group which is controlled by the Singapore Government.

In the Zhuhai project Gladhover holds a 40-percent interest while Nanhai Oil has 40 percent and CNJSC holds 20 percent.

Mr Jim Britton, the joint venture port and base manager, said that although the exact schedule was still "pretty sketchy," he expects the port should be ready to accept vessels from May onwards and be fully geared up by the summer.

He said Oil (Asia)'s Hong Kong office will not derive any revenue from its offshore contract, but that the Singapore-based company will receive management fees and a percentage over and above project fees.

"It's not a multi-million-dollar project but it's a foot in the door," he added.

The two-part port project includes dredging the harbour basin and an 18km approach channel to a depth of eight metres. A 500-metre wharf and 100,000 square-metre oil field supply base and cargo facility will also be constructed.

Zhuhai's new port, to be built on reclaimed land, is planned to handle up to five oil field supply vessels and a 10,000 tonne cargo ship.

Other facilities will include a 70,000 square metre bulk cargo storage area, three general purpose warehouses, bulk storage and mechanised handling for water, fuel, cargo and oil industry materials and equipment.

A 300,000 square metre site behind the port is also being developed, part of which includes a site for 281 luxury flats.

Mr Britton said there were no oil clients for the facilities yet, but he believes two parties are very interested and hope to develop their production later this year using Zhuhai as their base.

However, he declined to name the parties.

Oil Asia's management contract was signed about a year ago and until now has mainly involved the back-up engineering work.

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SPECIAL ECONOMIC ZONES

SHENZHEN FORMULATES NATIONAL ECONOMIC, SOCIAL PLAN

HK290853 Hong Kong WEN WEI PO in Chinese 26 Jan 86 p 3

[Special Dispatch: "Shenzhen To Focus on Industry, Decides to Develop Outward-Oriented Economy"]

[Text] At its work conference on its national economic and social development plan, Shenzhen City decided on the guiding principle for its economic development, its major tasks, and the focuses of its economic work in 1986.

Elaborating on Shenzhen's 1986 Plan for National Economic and Social Development (Draft), a responsible person of the Shenzhen City Social and Economic Development Committee pointed out: In 1986, the Shenzhen Special Economic Zone's construction and development will enter a new stage.

The major tasks involved in and the guiding principle for Shenzhen's economic construction and development in 1986 are: To adhere to the opening up policy; to reform in an in-depth manner; to focus on the attainment of better economic results; to advance more steadily; to improve management and make a success of rectification by further developing the success so far achieved; to develop an outward-oriented economy based on industry; to make the readjustment of the city's production setup a success; and to make the national economy comprehensively, harmoniously, and steadily develop.

The major targets to be fulfilled in 1986 are: A GNP of 3.3 billion yuan, 10 percent higher than that in 1985; national income of 2.8 billion yuan, 12 percent more than that in 1985; and a gross industrial output value of 3 billion yuan, 163 percent higher than in 1985.

He added: In 1986, Shenzhen will focus on the following work in developing its economy: It will, by focusing on industry, develop an outward-oriented economy and, mainly with the help of advanced technology and facilities, develop such traditional industries as light industry, textiles building materials, food and beverage, and precision machinery. It will also selectively and enthusiastically develop new industries; appropriately develop those labor-intensive industries which can yield

much foreign exchange; speed up construction in the areas of energy supply and communications, in order to support the economic zone's economic development; focus attention on the construction of Plant B of the Shajiao Power Station; control the scope of capital construction; ensure the smooth progress of the key projects; and improve investment results. In principle, Shenzhen will not introduce new projects this year. Nor will it develop new areas. It will try to increase revenue, to bring about a balance between income and expenditure, to earn more foreign exchange, and to strengthen foreign exchange management.

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SPECIAL ECONOMIC ZONES

SHENZHEN SIGNED OVER 1,200 FOREIGN CONTRACTS IN 1985

HK230657 Beijing ZHONGGUO XINWEN SHE in Chinese 1356 GMT 20 Feb 86

[Text] Guangzhou, 20 Feb (ZHONGGUO XINWEN SHE)--At a meeting held here today, Liang Xiang, secretary of the Shenzhen City CPC Committee, said: Last year Shenzhen signed more than 1,200 agreements and contracts with foreign businessmen, imported foreign capital totaling \$840 million in accordance with these agreements. Some \$260 million of the imported foreign capital has been put into use. The number of contracts signed, the sum of foreign capital imported, and the amount of capital put into use, which were all record highs in recent years, increased by 24 percent, 34 percent and 23 percent respectively over last year.

Liang Xiang added that the characteristic of Shenzhen's importing foreign capital last year was that the percentage of industrial projects and projects of higher technical level increased. In addition, more than 60 percent of products produced will be exported to foreign markets.

Liang Xiang continued to say that last year the inner industrial structure of Shenzhen City also changed, and the percentage of processing projects on order dropped. The percentage of products manufactured by the city has increased. At present, there are more than 800 kinds of products which are manufactured by the city. Electronics, engineering industry, textile industry, light industry, medical industry, petrochemical industry, building material industry, food processing industry, and so on have achieved faster development. Last year, the total industrial output value of Shenzhen was 2.67 billion yuan, an increase of 60 percent over 1984. The export of industrial products manufactured by Shenzhen totalled \$300 million, which accounted for 41 percent of the total sale volume of industrial products. The leading position of industry in the industrial set-up of the Shenzhen special economic zone has been markedly strengthened.

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## SPECIAL ECONOMIC ZONES

### ECONOMIST STRESSES SHENZHEN'S GEOGRAPHICAL LOCATION

HK230243 Beijing ZHONGGUO XINWEN SHE in Chinese 0353 GMT 22 Feb 86

[Text] Beijing, 22 Feb (ZHONGGUO XINWEN SHE)--A Beijing expert in researching the economy of special zones has suggested that after China recovers sovereignty over Hong Kong in 1997, the economies of Hong Kong and Shenzhen are bound to enter a new stage of development. There will be division of work and also cooperation between them; they will make up for each other's deficiencies, stimulate each other, and become prosperous together.

Today's "JINGJI RIBAO" carries on page 3 an article by Yu Guoyao [0151 0948 5069] entitled "A Fresh View of the Position of Shenzhen Following the Opening Up of 14 Coastal Cities." The article says that an important issue in taking a fresh view, is that of correctly understanding and taking advantage of the position and role of Shenzhen in its proximity to Hong Kong.

The article says: The development of Shenzhen's foreign trade occupies a special position on account of its proximity to the international trading center of Hong Kong. Its superior geographical location and the favorable special zone conditions indeed provide vast possibilities for Shenzhen to develop its foreign trade. Shenzhen may be able to have the aid of Hong Kong in developing into an international business and trading center. By vigorously developing external economic relations and trade, actively taking part in international diversion of work, opening up international markets, and bringing into full play the external radiating role of the special zone, the conditions will exist for having foreign trade act as an "accelerator" for the development of the entire economy of Shenzhen. The key to whether Shenzhen can ultimately become a "trading house" port city lies in the breadth and depth of the development of its external economic relations and trade.

The article acknowledges that there has been some loss of control in the rate of development of Shenzhen's commerce and trade in the past 2 years, and that a considerable proportion of its business and trade has developed under the attraction of a two-tier price structure, one for Hong Kong-Shenzhen and another for the Shenzhen interior. Reliance on

re-exporting to the interior foreign goods imported at high prices in foreign currency became at one time Shenzhen's principal commercial activity, particularly in the second half of 1984. In 1985, the state strengthened its macroeconomic controls, put credit under control, and intensified foreign exchange controls, with the result that this situation has been basically transformed.

The article proposes: In developing outward-oriented industry, Shenzhen should be skillful at exploiting the favorable conditions afforded by its geographical proximity to Hong Kong. It should seize the chance of the technological revolution now arising in the world and strive to gain a certain degree of superiority in importing advanced science and technology. In some fields it should make direct use of the fruits of the new technological revolution, and at the same time it should gain the aid of Hong Kong which has long developed overseas markets for its products.

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